

# **PILOT SALARY DETERMINATION**

*IN AUSTRALIA'S DOMESTIC AIRLINES*

*FROM WHITLAM TO KEATING*



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## ABSTRACT

This thesis places the 1989 Australian domestic pilots and airlines dispute in the context of pilot industrial relations 'norms', pilot industrial relations history and the political and economic environment. The aim is to gain a greater understanding of the 1989 dispute and to answer questions such as whether the dispute stood out from its context as an inexplicable development.

It was discovered that the reasons behind the dispute went well beyond the AFAP claim for a 29.47% salary increase. The dispute built up over a lengthy period and can only be properly understood by considering;

- the nature of the pilot community and pilot militancy,
- the history of pilot industrial relations,
- pilot bargaining patterns,
- the individuals involved in pilot industrial relations,
- the impact of the Accord on pilot bargaining,
- the interventionist approach of labor governments to pilot industrial relations,
- the roles of the ACTU and the AIRC,
- the impact of neo-corporatism in the Australian industrial relations system,
- the impact of aviation deregulation,
- the impact of economic fortunes,
- any many others...

Pilot industrial relations and salary determination will be considered in the period since the Whitlam Government, with reference to the parties, the influences upon them and the environment in which their relationships were conducted. Emphasis will be given to the implications for and of the 1989 dispute. Observations shall also be made about the future of pilot industrial relations.

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**ABBREVIATIONS**

AAPA	Australian Air Pilots Association (the predecessor of the AFAP)
ACTU	Australian Council of Trade Unions
AFAP	Australian Federation of Air Pilots
AIPA	Australian International Pilots Association
AIRC (IRC)	Australian Industrial Relations Commission
ATC	Air Traffic Control
ATI	Ansett Transport Industries Pty Ltd
ATOF	Australian Transport Officers Federation (succeeded by the ASU)
ASU	Australian Services Union
CAA	Civil Aviation Authority
CAOOAA	Civil Air Officers Operators Association Australia
FCOIT	Flight Crew Officers' Industrial Tribunal
GA	General Aviation
IFALPA	International Federation of Airline Pilots Associations
LAME	Licensed Aircraft Maintenance Engineer
RPT	Regular Public Transport
SAL	Supplementary Airlines
TAA	Trans Australian Airlines Ltd
USALPA	The United States Airline Pilots Federation

## INTRODUCTION

Commercial pilot salaries and their determination have had national prominence in Australia, most dramatically illustrated in recent times by the 1989 airline dispute. During that dispute the Hawke Labor Government intervened at an unprecedented level through the use of the RAAF, subsidies to the airlines, changes to immigration regulations etc.. The Prime Minister, Mr Bob Hawke, openly staked his credibility on its outcome.

In Sky Pirates, Mr Brad Norrington has highlighted the drama of events in a description of the 1989 dispute.<sup>1</sup> In A Secret Country, Mr John Pilger laid out some of the intrigue which characterised the relationship between Mr Hawke and Sir Peter Abeles, two of the major players in the dispute.<sup>2</sup> Others have looked at the disputes legal implications, the strategies adopted by the parties during the dispute and the role of neo-corporatism.<sup>3</sup>

This thesis aims to place the dispute in the context of the history of pilot industrial relations and salary determination, Australia-wide salary

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<sup>1</sup> B. Norrington, Sky Pirates: The Pilot's Strike that Grounded Australia, ABC Enterprises, Crows Nest N.S.W., 1990.

<sup>2</sup> J. Pilger, A Secret Country, Jonathan Cape, London, 1989.

<sup>3</sup> K. Mc Envoy and R. Owens, The Flight of Icarus; Legal Aspects of the Pilots Dispute, Australian Journal of Labor Law I Vol 3, No. 2 August, 1990, J. McDonald, Industrial Relations Strategies in the Air Pilots' Dispute 1989, The Economic and Labor Relations Review, Vol. 1, No. 1, June 1990, and G. F. Smith., 'From Consensus to Coercion: the Australian Air Pilots Dispute.', Journal of Industrial Relations, Vol. 32, No. 2, June 1990.

determination, the economic environment and deregulation. In order to achieve this task, this thesis includes a comparative analysis of pilot salary disputes and of the salaries themselves, from commencement of the Whitlam Government until the time of writing. This history may give insights into the variety of influences upon the parties and on pilot salary outcomes which may have contributed to the dispute.

The high level of salaries achieved by the pilots who returned to the airlines during the dispute undermines the simplistic justification that the government and airlines had to defeat the pilots salary high salary claim.<sup>4</sup> Whilst one cannot disregard the political climate reflected in this statement, it is clear that any assessment of the background to the dispute must look more deeply at the background of pilot industrial relations and at its environmental context.

Dr N. Blain, Ms D. Yerbury and a brief unpublished work by Captain. B. Crofts have undertaken a historical analysis of pilot industrial relations. Their writings are not sufficiently current to meet the purpose of this thesis.<sup>5</sup> Yerbury's work finishes in 1967 and Blain's analysis becomes lighter as it enters the 1980s. Importantly, Blain developed a model to explain pilot industrial relations. This

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<sup>4</sup> See Appendix IV where it is illustrated that the level of salary increase achieved exceeded the 29.47% claim.

<sup>5</sup> D. Yerbury, Collective Negotiations and the Airline Pilots 1946 - 1967: The Interaction of Compulsory Conciliation and Arbitration with a System of Collective Negotiations, Uni. of N.S.W., Industrial Relations Research Centre Monograph, 1983, N. Blain, Industrial Relations in the Air: Australian Airline Pilots, Uni. of Qld. Press, St Lucia, 1984 and B. Crofts unpublished papers held at the Australian Federation of Air Pilots.

thesis will therefore also aims to extend the work of these writers through and beyond the dispute, and to explore any changes which are required to Blain's model in the light of these events. In undertaking these tasks the writer will draw upon the analytical approach to industrial relations developed by Dunlop and the concepts of bargaining power as outlined by Chamberlain.<sup>6</sup>

Given the extent of Government intervention in 1989 and the prominence of the Accord, this examination of airline pilot industrial relations will also give particular emphasis to the political context. This perspective has received insufficient attention in previous studies of pilot industrial relations. In this regard Blain's work concludes,

...the present study has shown that the federal government has played a crucial role in shaping the airline pilots' relationship with the [industrial relations] system. A more detailed evaluation of the governments' role in pilot - management relations might provide insights that would be useful to those conducting the inquiry.<sup>7</sup>

The aims and philosophies of the government in power affect both aviation and industrial relations policies. As aviation is a key national industry, the success or failure of these policies is highlighted. Through government policy and direct government ownership of Australian airlines, the government of the day has had an immediate impact upon pilot salary determination.

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<sup>6</sup> J. T. Dunlop, *Industrial Relations Systems*, Holt, Reinhart and Winston, New York, 1958 and N. W. Chamberlain., *Collective Bargaining*, McGraw Hill, New York, 1951.

<sup>7</sup> N. Blain, *op cit.*, p.180.

A wealth of primary material is available which enables the efforts of Blain and Yerbury to be extended to the present day. This includes the files kept by the Australian Federation of Air Pilots (AFAP) which contain a complete set of correspondence between the AFAP and the Airlines, the AFAP and other unions, and the AFAP and the Government. All newsletters, government communications and correspondence received by pilots en masse are also contained in these files.

During periods of industrial disputation such as that in 1989 there is a considerable amount of recorded media comment by the parties, transcript of Industrial Commission or legal proceedings and of course Hansard. Any gaps in the materials provided by the AFAP are therefore well compensated by these other sources.

Documents reflecting the private actions of the airlines and government in so far as they affected the course of the 1989 dispute were sought, and some uncovered by the AFAP in the course of pre-trial discovery.



Further evidence which alters the public record on the course of events in 1989 is now unlikely to be released given the on-going legal and political ramifications. The destructive effect of the dispute also makes interviewing highly unreliable. A tendency to blame others and to minimise your own contribution would be expected. Throughout the thesis the writer has preferred to use contemporary primary sources in order to avoid the distortions of hindsight.

It may be argued that the sources held by the AFAP reflect the view of that organisation and not the airlines. However, given the volumous amounts of material available the writer has some confidence that this should provide a balanced coverage of the actions and views of the participants at the time. Fortunately, many of the events of 1989 have already been described in detail by Mr Norrington.<sup>8</sup> Yet it is due to the limitations in this material that the writer will not deal in depth with an analysis of management strategic choice.

Whilst the primary purpose of this thesis is not one of uncovering new material, many of the materials relied upon during this work will be brought into the public realm for the first time, adding to the record of knowledge of the events contained herein.

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<sup>8</sup> B. Norrington, op cit.

Before commencing it is also worth noting that Qantas/international pilot salaries shall only be referred to in terms of their impact on and lessons for their domestic colleagues. The Qantas pilots were part of the AFAP until 1983 when they split into a separate Association. After this point their salaries were no longer part of the tactical planning of Federation leaders. The salary outcomes of general aviation pilots, a significant part of the Federation's membership, will be considered where they may have influenced overall policies of the Federation.

## CHAPTER ONE - BACKGROUND

He is the final responsibility;

He has the final decision in any course of action;

He can never be complacent;

He must remain humble - the elements keep him so;

He also needs to survive;

He must prove himself to his peers over and over again or seek another job;

He must exude a quiet but magnetic confidence in his own ability and his aircraft;

He must create an image of efficiency and capability such that passengers will stream on and off your aircraft without even a look at the front end;

Finally he must be ready during every second of his working life to defeat the ultimate emergency he can encounter at any time;

He is worth every cent you pay and maybe even a little more.<sup>9</sup>

Visions of glamour, cries of safety and elitism and a fascination with fast new technology easily cloud discussions on aviation industrial relations. This chapter, analyses of the background to pilot salary determination. It is argued that airline pilots formed a specific occupational community, reinforced by the history of pilot industrial relations. Their cohesiveness, the nature of their occupation and the implications of the technology they use gave them a high degree of industrial strength. Yet at the same time their political conservatism, their high salaries and status, the political importance of and media attention to aviation, won them few friends within the ACTU, with whom they were not affiliated.

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<sup>9</sup> Quotation recorded by Dick Holt in his advertisement in the Age, 21 September, 1989.

Inspired by the Dunlop approach, Blain undertook a systems analysis of pilot industrial relations. He considered the actors, contexts, ideology and rules and applied his observations of pilot industrial relations in a model to illustrate the relationship between pilot unionism and the system of conciliation. He observed that pilots unions were untrusting of conciliation and arbitration and were prepared to use the bargaining power they had effectively harnessed through closed shops, effective organisation and strong leadership. The supremacy of pilot bargaining power was unquestioned, reflecting Blain's observations of the strategic role of pilots and the difficulty in replacing them.

Blain's model sought to explain the factors behind the pilots industrial strength. He explored a number of factors including what he termed 'market factors' or the 'high cost of disagreement', based upon the capital intensity of aviation. In 1978-9, Blain calculated that the total flying crew expenses (including Flight Engineers and Flight Attendants) represented only 9% of TAA's total operating costs. Yet, the grounding of TAA's fleet meant that assets then estimated at \$237 million could not be utilised. This and the potential loss of market share outweighed the cost of increases to flight crew salaries.

The enormity of such losses was illustrated by the August 1989 predictions of Mr Ted Harris, the Chairman of Australian Airlines, that his company alone

could lose \$14 million each week through pilot industrial action.<sup>10</sup> Operators vulnerability to these pressures would in turn have encouraged higher expectations by pilot negotiators.

Blain also considered a 'technological stranglehold' which included:- the ability of the pilots (unlike some other staff) to bring the airline to an immediate halt; the ability to make operational decisions (such as those effecting fuel usage) which could financially penalise the employer; the increasingly specialised nature of pilot expertise which further limited employer control and the increasing cost of pilot training.<sup>11</sup>

For a trained airline pilot the cost to gain an endorsement to fly a B747 is \$US12000.<sup>12</sup> Consider the cost of training airline pilots throughout their careers. from recruitment as a First Officer, endorsements on a couple of smaller aircraft types and then Captaincy training and finally endorsements on larger aircraft. The employer, and in the case of Australian Airlines the government, has a high level of investment in these staff and thus a significant incentive to maintain their services and gain the full return on this investment. These pressure have influenced employer and pilot approaches to industrial relations.

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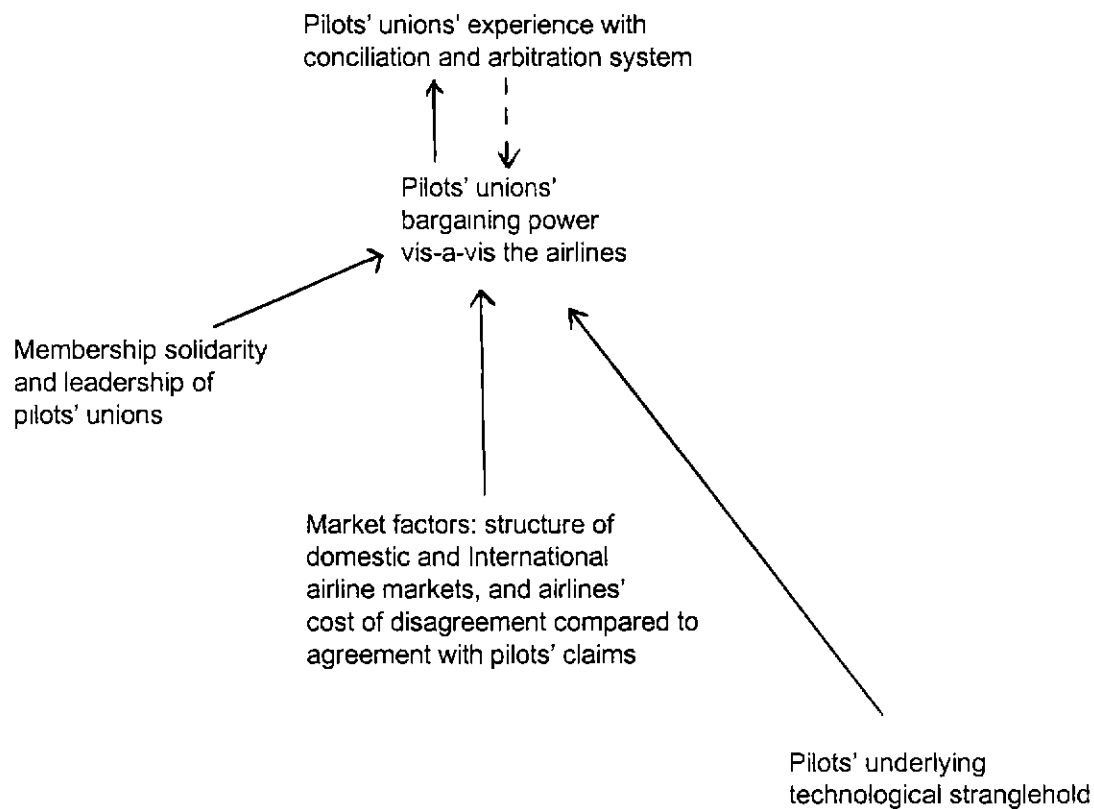
<sup>10</sup> Federal Court, Transcript of Proceedings, No. VG221 of 1990, Melbourne 21 February, 1992

<sup>11</sup> N, Blain, op cit., p. 144

<sup>12</sup> AFAP files.

This together with government safety regulations which complicated the recruitment of foreign pilots by Australian companies, led Blain and possibly many in the pilots Federation prior to 1989, to the conclusion that striking airline pilots were irreplaceable.<sup>13</sup>

The factors described combined to create Blain's model as follows;<sup>14</sup>



<sup>13</sup> N. Blain, *op cit.*, p. 145 He also notes the mutual assistance which could have been provided to the Federation by the International Federation of Airline Pilot Associations (IFALPA). The impact of government regulation will be considered more fully in Chapter 6.

<sup>14</sup> N. Blain, *op cit.*, p. 147.

This model is reflective of the balance Blain observed, in which pilot bargaining power predominated and its use was effective and controlled by the pilots themselves, their association and the acceptance of this bargaining power by the airlines.

Through this thesis, a number of Blain's observations will be further developed and new observations added. The writer will explore any changes which are required to Blain's model in the light of these events, particularly the unquestioned assumption of the dominance of pilot bargaining power.

Blain does not fully examine the nature of the pilot community and the basis of pilot militancy and I shall take this as a starting point.

## INDUSTRIAL STRENGTH AND MILITANCY - THE AVIATION INDUSTRY AND THE NATURE OF PILOT WORK

The AFAP has been labelled as militant in comparison to other unions. In 1985 Ms P. Huntley used this label to describe this association along with the Air Traffic Controllers, the Builders Laborers, the Seaman's Union, the Transport

Workers Union and other blue collar unions.<sup>15</sup> Yerbury and Isaac considered the AFAP as the most militant white collar union and attribute this to a preference for collective bargaining underpinned by industrial strength rather than arbitration.<sup>16</sup>

For the purposes of these discussions "militancy" is defined as the propensity or willingness to take industrial action. Where pilot industrial relations therefore strike prone? Professor J. Isaac, a past member of the Flight Crew Officers Industrial Tribunal commented,

The strike proneness of airline pilots tends to be exaggerated and over-dramatised by the intense publicity associated with pilot's strikes. While it is probably true that the indirect effects of such strikes are probably greater than might be inferred from conventional statistical measures (number, duration, man-days lost), there are other occupations with a far worse industrial record than pilots which do not attract quite the same attention from the media.<sup>17</sup>

Extensive media attention is given to airline disputes as they often involve national stoppages and workers in key positions in aviation can cause national dislocation by their work bans. The potential impact of airline disruption on other industries and the general public is large. Burgess certainly credits the strategic position of the airline industry as one of the factors in the formation of a specialist aviation tribunal within the Industrial Commission, the Flight Crew

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<sup>15</sup> P. Huntley, Inside Australia's Top 100 Trade Unions: The Only Comprehensive Guide to Australia's Top 100 Trade Unions, 1985. This work contains no definition of militancy or account of the method used to apportion these labels.

<sup>16</sup> D. Yerbury and J. E. Isaac, 'Recent Trends in Collective Bargaining in Australia' International Labor Review 103, No. 5, 1971.

<sup>17</sup> J. Isaac, 'Pilots and Management: Industrial Relations in the UK Airlines', Journal of Industrial Relations, Vol. 15, June 1973, p.222.



Officers' Industrial Tribunal.<sup>18</sup> As such airline disputation may loom large in the public memory.

Isaac and Burgess also argue that there is a degree of public resentment at industrial action by those who are perceived as highly paid professionals with rewarding work.<sup>19</sup> Stoppages by airline professionals such as pilots and air traffic controllers may therefore particularly catch the public attention. It must also be recognised that images of airline strikes and pilot strikes can be easily confused.

If militancy results in strikes, were pilots notably different from other groups in their propensity to resort to industrial action? According to records at the Australian Federation of Air Pilots, 22 working days were lost by the airlines due to pilot industrial action during the 23 year period between the major 1966 dispute and 1989.<sup>20</sup> Unfortunately the level of detail available through the Australian Bureau of Statistics does not allow us to compare this with working days lost per employee or even to illustrate whether aviation as an industry is

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<sup>18</sup> J. Burgess, An Examination of Some of the Factors Behind the Creation of Special Arbitration Tribunals for Flight Crew Officers and Coal Miners., Working Paper 8/1977, Dept. of Industrial Relations, University of New South Wales, p.23.

<sup>19</sup> J. Burgess, ibid., p. 18 and J Isaac, op cit., p. 22

<sup>20</sup> See Appendix II.

more prone to industrial disputation. However, the level of working days lost reported by the AFAP does not seem excessive.

Yet a lack of high levels of disputation does not necessarily equate to lack of militancy. Given the high impact of any pilot stoppage, a militant approach may involve the threatening of industrial action or even a perception of a propensity to use industrial strength. Action may be threatened and not taken. An awareness by all parties of the potential for such action, even when it is not explicitly stated, can influence a bargaining environment. In surveys analysed by Blain, pilots showed a high degree of awareness of the industrial potential of their bargaining power.<sup>21</sup>

Their financially strong and industrially successful union, the Australian Federation of Air Pilots, enforced 'closed shops' in the airlines and in 1985 was reported as having 2.8 million in property assets. Ms Huntley rated it amongst Australia's top 100 unions.<sup>22</sup>

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<sup>21</sup> N. Blain, *op cit.*, p.177.

<sup>22</sup> P. Huntley, *op cit.*

over their lifestyles. The hours worked and cost to personal life of rosters before the union won bidding systems, the union won first class travel and accommodation were parts of pilot folklore.<sup>24</sup>

The long history of successful pilot unionism may owe much to the features of their work and their profession that make pilots a close-knit, somewhat isolated occupational community. Claire Williams pursued this hypothesis for Flight Attendants based upon extensive interviews. She made a number of pertinent observations on the impact safety regulations, a mobile workplace, reliance upon rostering rules and thus Awards, the impact socialising within occupational groups on overnights and on the mystique, attraction and technical nature of flying.

Flight crews are physically severed from the rest of the organisation, particularly the administrative structure. Thus it is awkward and difficult for managers to retain regular communication with crews. In addition, the shift work separates the flight crews' work worlds from those of management...Informants described the occupation as 'rarefied'; the expensive hotels they stay in on overnights and the associated life-style all have the effect of isolating them from people in the community. To a field worker or to an outsider, the presence of an airline industry 'culture' is quite noticeable. As one flight attendant noted 'a normal person is aghast at the airline terminology.'<sup>25</sup>

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<sup>24</sup> See Blain, *Op. Cit.*, p. 163.

<sup>25</sup> C. Williams, 'Domestic Flight Attendants in Australia: A Quasi Occupational Community?', in *The Journal of Industrial Relations*, June, 1986, Vol. 28, No. 2, pp. 239 and 245.

Williams also noted that the union representatives were easily accessible. In the small occupation based union, representatives shared the same profession and lifestyle and could easily be personally known. In contrast, she noted the impact of a hostile media and public reaction during industrial disputation,

Partly because of their strong feelings that their importance, particularly in relation to safety, is so slightly understood and so devalued by the companies, the public and the media, they consider that they have nothing to lose. Public and media reactions merely confirm the devaluation. The more the media derided flight attendants...the stronger their solidarity.<sup>26</sup>

Whilst for flight attendants these feelings may have been reinforced by a sensitivity to sex-typing, a perception of a misunderstanding was common one for all flight crew.

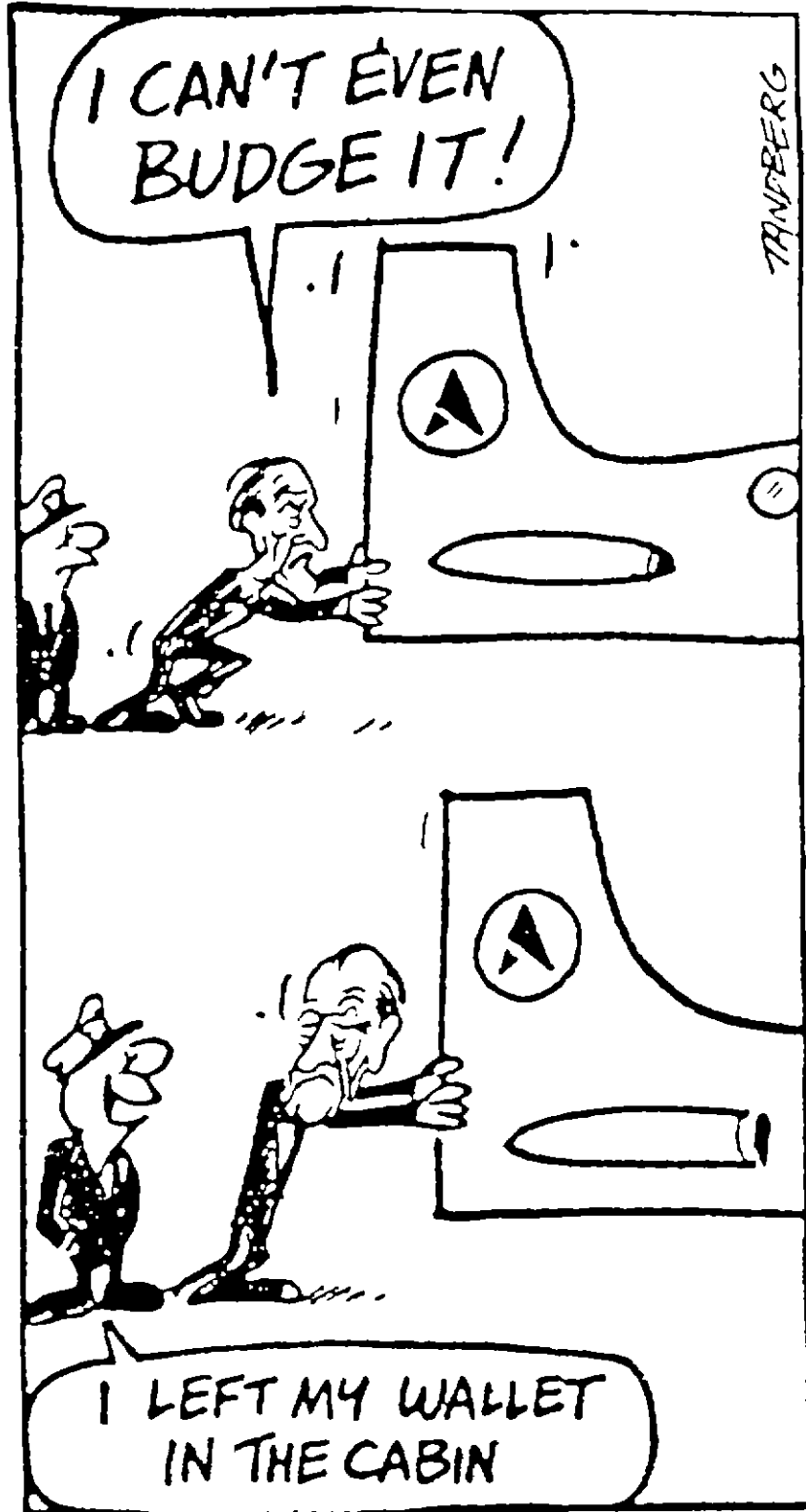
Pilots have often claimed that their level of responsibility, the legal implications of command, the requirement to continually re-qualify and meet demanding medical standards etc.. as setting them apart from other occupations.<sup>27</sup> They have also found their role derided in the media, reinforcing the atmosphere of an isolated community (see overpage).

These aspects were particularly evident in the AFAP's series of newsletters known as Deadline '89 which preceded the 1989 dispute. One issue was aimed

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<sup>26</sup> *Ibid.*, p. 248.

<sup>27</sup> See interview with Dick Holt in the Sunday Observer, 1979, AFAP Files.



# It's tough

**SO OUR poor airline pilots cannot live on \$36,000 a year. Our hearts bleed for them.**

Imagine being trapped in a lifestyle in which \$692 a week just wasn't enough.

The pilots must realise that we are all stuck with wage indexation — whether we like it or not.

We have all seen an erosion of our buying power and living standards because of inflation.

We all have to live with it — and do live with it.

**IF the pilots can't do the same, they'll just have to go broke, as comfortably as possible, on their measly \$692.**



UP, UP AND AWAY!



<sup>30</sup> Age, 2 May 1978 and Sun undated. AFAP Files.

to prepare pilots for the negative publicity that they might expect if there was a stoppage.<sup>31</sup> In an information sheet for the press early in the 1989 dispute, (overpage) the Federation went to pains to point out 'Why are Pilots Different?' The pilots clearly perceived themselves as a misunderstood by the community.

Experiences with media attention which emphasised the highest levels of pilots salaries reinforced this concept of isolation and misunderstanding. In 1974, the Federation's President stated,

It's all very well for people to talk about Boeing 727 pilots getting \$23,000 a year. They forget about Fokker Friendship pilots, some of whom get only \$7,000 a year.<sup>32</sup>

His observations were echoed by almost every Federation President throughout the years.

Further insights into the influences on this group come from the aspects which were identified by the pilots themselves in listing their differences from other groups, some of which are given additional emphasis in the unpublished papers of Mr B. Crofts a past Secretary of the AFAP.

I would say that the two strongest influences on the pilot group are insecurity and frustration. On the management side the two equivalent influences would be resentment and apprehension. Dealing firstly with the pilot let me stress that the 'insecurity'... relates to the career itself. A pilot is one of the few paid professionals who is not self-employable. He must and always will be a wage and salary earner. Should he lose his

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<sup>31</sup> 'Deadline 89', Issue No. 5.

<sup>32</sup> Age, 5 June 1974.



# PRESS RELEASE

## The Problem

- Groups in society traditionally used for comparison with pilot remuneration have had substantial increases over the last three years.
- Judges have recently received an increase of 16% outside the National Wage
- M.P.s received 11.8% in January 1989 and are set to receive a further 10.9% in January next year and 9.8% in January 1991.
- Engineers outside the wage system have gained average increases of 17.6% during the last year.
- Executives have received increases of 54% since July 1985 (Management Consultants, Cullen Egan & Dell and Towers Perrin)
- Executive salary levels in TNT (50% shareholder in Ansett)
  - one executive gets over \$5 million a year,
  - another over \$2 million and
  - 19 get over \$250,000 a year
  - 6 Directors get over \$400,000

## National Wage Case

The A.C.T.U. and the Unions have had the ability to negotiate with their employers and come up with an agreement that now forms the basis of the National Wage Principles.

The A.F.A.P.'s campaign is an attempt to establish the right of pilots to negotiate directly with our employers in the same manner as the A.C.T.U. and the Government. The Principles that these groups have established through the National Wage Case, have little relevance to pilots.

## Why are PILOTS Different?

- Pilots are available to airline companies 24 hours a day, 365 days of the year. Pilots do not receive the penalty payments received by other workers for: public holidays including Christmas and Easter, etc. shift duty outside normal working hours and weekend work.
- Since 1966 the Federation has restructured Airline awards with the companies on a daily basis. If we did not the companies would not be able to operate. The Ansett 1988 award has 11 letters of agreement and 10 Section 35 variations all of which are alterations to the contract.
- Airline pilots must retire at 60 years of age, but the majority do not make the distance. In the major airlines only three of the 145 pilots lost over the last two years, retired having reached the age of 60. Of the remainder, the majority left to work overseas or retired due to ill health or inability to maintain demanding airline standards.
- Airline pilots are required to undergo regular medical examinations at 12 month intervals prior to age 40 and 6 month intervals after that age.
- The companies acknowledge that pilots take less sick leave than any other airline group - on average 1.5 days per pilot per annum.
- Airline pilots must pass stringent competency tests a minimum of 4 times per annum. Failure to requalify means dismissal or downgrading. This is in addition to the competency that must be demonstrated on every flight.
- Pilots are required to remain current with all technical advancements, air traffic control procedures, etc. in addition to undertaking recurrent training programmes. lifetime of constant study and examination.
- Domestic pilots now spend up to 14 nights per month away from home - more time away from base than a Qantas 747 pilot.
- Airline companies in recent years have recognised the stresses placed on their pilots and now include stress management programs in recurrent training.

## Economic Reality

- When a passenger pays \$194 for a regular flight Melbourne/Sydney, only \$2 of this is the total cost of the pilots operating the aircraft.

career for health or proficiency reasons, his specialist skills are of no use to him in an outside market.<sup>34</sup>

Pilot insecurity, he explains, arises by the inability of pilots to control their careers, due to external variables such as medical requirements. A pilot is also more limited than other professions in terms of career flexibility, through lack of transferable skills and the consequent limitation on changing employment. Crofts also describes management resentment at the status and industrial strength of the pilot group and an apprehension that they might indeed use that power.

On the other side of the fence there is some resentment in the ranks of management against the pilot, both in respect to his salary and status...The ability of the pilot group to bring the airline to an immediate stop and to exercise this power, in the view of the airlines, irresponsibly or over issues which do not warrant the action (in their view) creates an atmosphere in which only the power is respected.<sup>35</sup>

Other aspects of the airline pilot community, such as its close knit nature, may have reinforced the feeling of a collective identity. An illustration of this community was the pilot support network which existed in Australian Airlines prior to the 1989 dispute. Pilots acted to assist their fellows who were experiencing personal difficulties, marriage or medical problems.<sup>36</sup>

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<sup>34</sup> B. Crofts, *op cit.*

<sup>35</sup> *Ibid.*

<sup>36</sup> AFAP files

Others comment on the "pilot character", or shared characteristics shaped by their profession. Past President Captain Dick Holt commented in 1979,

If a persons got the flying bug, he'll end up flying eventually, even if he's an accountant or a doctor or whatever...The desire remains with a pilot all his life. You can't do this job if you don't like it. If a pilot doesn't like it he usually leaves...The dedication extends to accepting a regulation and a discipline of thinking and behaviour.<sup>37</sup>

A passion of this type, reinforced by a dedication to the profession and the separation from the community brought about by lifestyle, reinforced a sense of community. Pilots and their community were thus influenced by the nature of their work and these in turn influenced their industrial relationships.

The specific characteristics of pilot industrial relations are highlighted in a study by Karsh, Blain and Nihei which notes a number of common features in pilot industrial relations between nations - pilot specific unions, pilot participation in the development of work schedules, and highly developed dispute settlement/grievance procedures. Following an examination of pilots at Japan Air Lines, Pan Am and Qantas, they concluded,

at the occupation and industry levels examined here, and over a period of fifty years, common technology has had an increasingly important effect in producing similar institutional arrangements cross-nationally.<sup>38</sup>

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<sup>37</sup> *Sunday Observer*, undated, 1979.

<sup>38</sup> B. Karsh, N. Blain, and Y. Nihei, 'Airline Pilot Unions in Australia, Japan and the United States: A Test of Cross-National Convergence.' in *The Journal of Industrial Relations*, Vol. 26, No. 3, September 1984, p. 404.

## AVIATION

A maturing aviation industry and changing government policies on aviation have also affected aviation employees and aviation industrial relations. Much of the story of the growth of Australian aviation illustrates government support for the industry, government regulation and intervention. The Federal Government undertook the regulatory responsibility for the infant aviation industry under the Air Navigation Act 1920 and soon thereafter created the Civil Aviation Branch as part of the Department of Defence, to regulate aviation safety.

The provision of safety regulation in the public interest had implications for the supply and utilisation of airline staff; through domestic licensing systems, the training of staff and limits on the hours of work. Safety regulations formed the legal minimum beneath a number of working conditions which in other industries were the subject of negotiation between staff and their employers.

The airlines had to meet safety standards with regard to the pilots they wished to utilise. They could not simply employ pilots and expect to be able to utilise them immediately. These standards included current Australian Commercial Pilots licences and Australian Airline transport Pilots Licences, requirements for endorsements on the particular aircraft type concerned and of the recency of

flying on that type. Elaborate check and training systems, approved by the Civil Aviation Authority, were in place in each airline to continually test and monitor the standards of each pilot.

Yet the extent to which these restrictions placed a real limitation upon pilot supply within Australia should not be overstated. The oversupply of pilots operating smaller aircraft in general aviation is well known and provides a regular supply of recruits to the airlines. Chris Faintly considered the implications of pilot licensing regulations within Australian on pilot salaries and observed that the licensing system did not limit the number of pilots available for intake into the airlines.<sup>39</sup>

However, the requirements for training and experience necessary under government regulations to enable a pilot to fly a particular aircraft type limited the ability to engage pilots en masse to break a strike. Blain commented:

the airline pilots when on strike have been irreplaceable...even if a government had been prepared to take a political decision to substitute striking airline pilots with RAAF pilots, service pilots would have had to undergo a lengthy period of training in order to qualify.<sup>40</sup>

Safety regulations had direct consequences for industrial relations.

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<sup>39</sup> C. Faintly, 'Occupational Regulation in a Regulated Industry: the Case of Airline Pilots.' in Albion, R., and Lindsay, G.(Eds), Occupational Regulation and the Public Interest: Competition or Monopoly., Centre for Independent Studies, 1984, pp 151-174.

<sup>40</sup> N. Blain, op cit., p. 144-5.

The extent of government regulation and involvement in aviation varied over time. On one extreme was the attempt by the 1945 Labor Government to nationalise airline services. The Australian National Airlines Act established TAA with monopoly over all interstate airline services. In 1947, the Labor Government purchased Qantas and confined its operations to the international sphere. These moves created an aviation environment in which two government owned carriers were guaranteed their respective shares of the international and domestic markets.

In the early years a theme which was consistent, regardless of the political party, was the intention to further assist the growth of the industry. The two airline policy commenced under the Menzies Government via the 1952 Civil Aviation Agreement Act. The effect of this Act was to regulate competition in intrastate, or airline aviation to an extent which has been seen in few industries in Australia. It limited competition on interstate routes to two carriers, TAA and ANA (later taken over by Ansett), and limited competition between them via agreements on the rationalisation of services. The Menzies Government later reinforced the two airline policy through the 1958 Airlines Equipment Act, which controlled the importation of aircraft in line with its objectives including;

to foster the development and growth of the 'infant' aviation industry in an orderly manner.<sup>41</sup>

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<sup>41</sup> Department of Aviation, Commonwealth Economic Regulation of the Australian Domestic Aviation Industry, 1945 - 1985, Volume 1, Canberra, 1985, p. 49.

Blain pointed to the two airline policy as being another factor in pilot bargaining strength. The limited number of airline operators protected the pilots and their companies against the pressure of a low cost competitor with lower staff salaries. Pilots and pilot industrial relations benefited from secure employment. In addition, the pilot negotiators also implemented a strategy of leap-frogging salary increases (ie. by concentrating the most vulnerable operator first, the pilots could achieve an increase which could be flowed onto the other company). A high level of aviation regulation was well entrenched by the 1960s and set the scene for the development of the industry into the 1990s.

When the Whitlam Government came to power aviation regulation was transferred to the Department of Transport. This move was resisted by aviation unions who considered it as de-emphasising of the importance of aviation. Changes in government views on aviation regulation became more evident from the mid-1970s with the 1974 budget speech announcing a cost recovery program of 80% of the cost of civil aviation infrastructure and 100% of regulatory and airport terminal costs.<sup>42</sup> When this was announced, the Minister of Transport stated that the government would no longer subsidise the 'silvertails'.<sup>43</sup>

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<sup>42</sup> Cost recovery had only recently been introduced at 10% in 1973, see *ibid.* p. 51.

<sup>43</sup> AFAP Files

The government also initiated reviews of aviation regulation in 1977 and 1981.

The government publication, Commonwealth Economic Regulation of the Australian Domestic Transport Industry 1945 - 1985, observed,

By 1970 it was evident that the domestic airline industry had matured to the stage where it was considered to be a strong, financially stable industry. There was at the same time a detectable change in attitude to the two airlines, both by the public and the Government. It was felt that there were several shortcomings in the existing regulatory system and that the airlines were able to considerably improve the service offered.<sup>44</sup>

At government levels a reassessment of aviation policy was evident.

Dissatisfied with the industrial relations environment fostered by the two airlines agreement, the Whitlam Government also intervened in salary disputes to the extent that it penalised Ansett by reducing TAA fares after Ansett had struck a deal for pay increases.<sup>45</sup> The 1979 Domestic Air Transport Policy Review highlighted the power that the Two Airline Policy had given to the unions, and the weakness of Ansett in the face of union pressure.<sup>46</sup>

In 1981, Government regulation was expanded to cover the level of air fares. The Independent Air Fares Committee was created and made responsible for the determination and approval of domestic airfares on all regular public

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<sup>44</sup> Ibid, p. 50.

<sup>45</sup> For more detail see p.45

<sup>46</sup> Domestic Air Transport Policy Review, A.G.P.S., Canberra, 1979, pp. 133-4.



transport interstate routes, giving this body the potential to deny the passing on of increased staffing costs through increased in air fares.

An Independent Review of Economic Regulation of Domestic Aviation, known as the May review, was set up by the government in 1985. Its report was critical of existing regulatory arrangements and found the Australian aviation industry to be uncompetitive with its international counter-parts.<sup>47</sup>

On 7 October 1987, the Minister for Transport and Communications, Senator Evans, gave notice of the termination of the two airline agreement from October 1990 and the removal of the majority of economic regulations of domestic aviation. He stated,

In bringing the two airlines policy to a close the Government's major objective is to create an environment which will foster increased responsiveness by airlines to customer needs, wider range of fares and types of services...increased competition and pricing flexibility..., and a continuation of Australia's world renowned aviation safety record.<sup>48</sup>

A new era in airline industrial relations had begun.

Deregulation and privatisation had long been mooted and by the time they were adopted by the Hawke Government, an almost complete reversal of

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<sup>47</sup> Independent Review of Economic Regulation of Domestic Aviation, AGPS, Canberra, December, 1986.

<sup>48</sup> Department of Transport and Communication, Domestic Aviation: A New Direction for the 1990s. Statement by the Minister for Transport and Communications, Senator Gareth Evans Q.C., Canberra, 7 October, 1987.

government policy had occurred. No longer did politicians speak protectively of an infant industry to be protected in the national interest, but of the benefits of competition and of paying your own way.

As will be discussed in detail in Chapter 6, the loss of the stable two airline system and the introduction of deregulation of aviation produced an altered environment for pilot industrial relations.

## INDUSTRIAL RELATIONS

Pilot industrial relations reflected the continual efforts by pilots to gain a unique status. The Australian industrial relations system, whilst constantly evolving, at no stage really met the demands of the pilots for the recognition they sought. This led to ongoing frustration, the impact of which was highlighted by Blain and Yerbury. Pilots sought to gain a unique status for their occupation with salaries measured in international terms that reflected their view of a pilot's skill, position, responsibility, risk, hours of work, the potential brevity of their careers due to medical requirements and the need to continually re-qualify.

Efforts to achieve this recognition can be traced back to March 1954 when the Pilots Association organised its first stopwork, prior to the commencement of

the Full Court hearing to determine the basis of pilot salary determination. The Court undertook an assessment of salaries which recognised the unique or 'sui generis' nature of a pilots occupation as follows,

We have already said sufficient to indicate that the profession of an air pilot is "sui generis". It is claimed by the Association, and there is much to support the claim, that there is no profession or occupation in Australia to which an air pilot's position as far as skill, responsibility and other features which bear upon the fixation of a proper salary can be compared with any precision.<sup>49</sup>

Yet the judges determined pilot salaries in line with the standard Australian assessment of the time, the metal trades, with a margin for pilot duties.

In 1959, the pilots association opted out of this system. They dissolved their association and created the non-registered Australian Federation of Air Pilots.

It was not until 1964 that strike action was reverted to, this time in the case of Qantas. A mediator was agreed and a settlement reached, paving the way for an agreement of the method of direct negotiations known as the Bland Agreement. The agreement was modelled upon the American Railway Labor Act and set a formula including aspects such as a cooling off period before direct action.

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<sup>49</sup> Commonwealth Arbitration Reports, Vol 80 Part 1 p. 163. Sui Generis means unique category.

The claim for an American style pay and bidding system<sup>50</sup> continued and flared again whilst pilots operated under these procedures. In 1966, Professor Isaac investigated domestic pilot salaries, bidding systems, seniority etc.. and recommended a 15% increase in salaries. He considered the salaries of professional engineers in commonwealth employment, third division commonwealth public servants and judges in reaching this conclusion.<sup>51</sup> Shortly after this report, the domestic pilots achieved a significant victory, agreeing to the introduction of the American styled type weight formula, bidding and seniority systems and a 26% salary increase over 2 years.

However, after the 27 days Qantas stoppage in 1966 to achieve this same outcome, the government amended the Conciliation and Arbitration Act to make the AFAP a declared body under the Act, under a specialist tribunal, the Flight Crew Officers Industrial Tribunal (FCOIT). The government felt,

the need for a cessation of the turbulence and disorder in an essential industry such as the air lines traffic.<sup>52</sup>

This was also a most unusual step and was only the second time that a Tribunal had been created, the first being the Coal Industry Tribunal. The pilots, had to this extent been brought back into the fold.

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<sup>50</sup> A bidding system is a formalised rostering system.

<sup>51</sup> J. E. Isaac, Report of the Inquiry into the Dispute between the Australian Federation of Air Pilots and Domestic Airline Companies, 1966.

<sup>52</sup> J. Burgess, op cit , p. 18.

This simplified historical outline, analysed in more detail by Blain and Yerbury, reveals that ongoing tensions plagued pilot industrial relations. In pursuit of specific recognition and international relativities, pilots were prepared to pursue their interests through collective bargaining, potentially outside the wages system of the day. Their industrial strength and effective organisation, allowed them to succeed in this approach.

In their struggles to achieve a unique status also won the pilots few friends amongst the union movement and the Labor Party. The AFAP was not affiliated with the ACTU, unlike the majority of Australian unions and was not politically aligned. The media portrayal of pilots as overpaid elitists, as illustrated by the clippings which interweave this thesis, did little to win the sympathy of fellow unionists. Ongoing tensions existed between the aspirations for equality of other unions and the ALP, government wages policies, and pilot aspirations.

## CONCLUSION

In Pilot Horizons, in 1984, the federation manager L. J. Coysh commented,

I know you've heard it before but you must now, more than ever, stick close together. You have an ACTU who is committed to 'bringing the elitists back to the fold', and an Opposition Government that believes in deregulation because it works well in Supermarkets. Instead of looking at each other through commercially coloured glasses put your arm around each other in 1985. If you've got any affection left show it to the Flight Engineers, Flight Attendants and the Air Traffic Controllers

because whether you like it or not the next couple of years are going to be harder rather than easier.<sup>53</sup>

The pilots and their representative organisation highly valued their professional status and their role in the aviation community. This perception was reinforced by technology and the lifestyle implications of a pilots work which emphasised an occupational community. Yet, there was a recognition that pilots alone did not determine their own status or role and their fortunes were effected by airlines and the government through its wages and aviation policy.

These forces, which shaped the pilots identity as an occupational community, also created the tensions of pilot salary determination and how the pilots would respond to their environment through the use of their industrial strength. Government industrial relations and aviation policy were moving in a direction would place greater strain upon pilot aspirations.

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<sup>53</sup> L. J. Coysh., 'Pilot Horizons', 21 December, 1984, AFAP Files.

## CHAPTER TWO - PILOT SALARIES BEFORE THE ACCORD

Australian pilots have achieved very substantial improvements since the early 1950s in their conditions of work...Unless they had been prepared to exploit this power [bargaining power] they could not have achieved such favourable pay and conditions; if they had relied solely or even mainly on arbitration their achievements would have been considerably less.<sup>54</sup>

This chapter refines the analysis of pilot industrial relations in the period leading up to the Hawke Labor Government, using a case-based approach to analyse a number of pilot industrial disputes. This methodology reveals the roles of the participants in pilot industrial relations, the extent and nature of ACTU and government involvement. Common elements such as the AFAP's continual gains throughout the period shall be noted. Attention has also be given to the influence of environmental factors upon pilot bargaining whilst trying to establish the patterns or 'norms' which exist within this bargaining.

### THE WHITLAM GOVERNMENT

When the Whitlam Government came to power in 1972, four years had passed since the AFAP had been declared under the jurisdiction of the amended Conciliation and Arbitration Act. The first years of the Whitlam Government were conducive to a collective bargaining approach by the unions, in line with

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<sup>54</sup> N. Blain, *op cit.*, pp 163 and 177.

the ALP platform which supported collective bargaining but suggested a framework of the registering of agreements, giving them the force of Awards.<sup>55</sup> Later the government adopted a policy of wage indexation under a new system in which salaries would increase with the cost of living with few other increases available, a forerunner to the Hawke Government Accord.

This approach was reflected in the National Wage Decision in April 1975. Its philosophies suited labor, wage indexation provided a vehicle for real wage maintenance together with the compression of relativities through the potential of flat wage increases for the higher paid, thus achieving 'greater wage equality for the disadvantaged'.<sup>56</sup>

The first three major wages disputes under the Whitlam Government occurred prior to indexation. In November 1972 - Ansett Airlines; in August 1974 - Qantas; in November 1974 - TAA. These disputes were the most volatile in the period prior to indexation. Under indexation, the focus shall be on the log of claims by East-West pilots as the only significant dispute in this period. These disputes will provide the basis for analysis.

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<sup>55</sup> D. Yerbury, *op cit.*, p. 498.

<sup>56</sup> C.R. Cameron in P.A. Mc Gavin, 'The Introduction of Wage Indexation Under the Whitlam Government', Journal of Industrial Relations, March 1985 Vol. 27 No.1., p. 18. This was the tenor of government submissions to the National Wage Case in 1974 and 1975.



Despite the different employers concerned, the pilots claims were based upon one of two consistent themes; flow on or movement in relativities. In November 1972, a 35% salary claim upon Ansett airlines was based upon movements in general community indicators, professional salary movements and industry indicators. The general community indicators included average weekly earnings, gross national productivity, the consumer price index, Award wages and wages drift. Professional salary movements included Commonwealth Public Service Divisions 2 and 3, Professional Engineers in the Commonwealth Public Service, Senior Management Salaries, County Court Judges, Academic Salaries and Parliamentary Salaries.

The Federation Manager, Len Coysh used this group as indicators because of the variety of points of comparison which had been used in the past without consensus. He complained,

there has been a virtual inability to agree to any one group or groups as being the most appropriate group for hierarchical comparisons with pilots.<sup>57</sup>

Coysh also looked towards industry relativities with the Qantas pilots and the air traffic controllers.

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<sup>57</sup> L. Coysh, 'Salaries Submission; Airline Pilots (Domestic Operators) Agreement 1972', 20 October 1972, AFAP Files.

In pursuit of their claim, pilot undertook a two day domestic stoppage. The matter was resolved on the second day of the domestic stoppage, an interim agreement was reached with R.M. Ansett, and then TAA. This included salary increases of 22%, with the matter being referred to the Industrial Relations Commission. Hearings subsequently mirrored this amount but also awarded a further 5.88%..<sup>58</sup>

Pilot industrial relations had formed into a pattern by the time of the Whitlam Government, with the domestic airline Award and the International Award being negotiated turn in turn. The pilots had found this a prudent strategy,

If we had aligned ourselves with the domestic pilots the operators would have also been united together in opposition to us all.<sup>59</sup>

Next was the turn of the Qantas pilots.

In August 1974, Qantas pilots sought a 29.3% increase. Qantas pilots were offered an increase of 27% during negotiations in 1974. This salary increase was justified on the basis that it represented,

...a cross section of salary movements for the same period with respect to second and third divisions of the Australian Public Service and professional engineers in the Australian Public Service.<sup>60</sup>

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<sup>58</sup> These salaries were determined on the basis of a comparison between the 8th year DC9 first officer and a Class 10 officer in the Australian Public Service - another basis for comparison.

<sup>59</sup> D. G. Shrubbs, 'Overseas Branch Newsletter', 5 February, 1973, AFAP Files.

<sup>60</sup> A. Smithwell, 'Report to Members of the House of Representatives and the Senate on the Dispute with the Minister for Transport', AFAP Files.

However, it was subsequently withdrawn which led to a ban of all flights into Canberra.

The Flight Crew Officer Industrial Tribunal was then convened to hear the matter. The government argued for no increase and that the compression of high salaries was necessary to ensure that they did not exceed their true worth. Mr Hawke of the ACTU intervened and argued that the Minister should not be heard and that the parties themselves should be free to resolve the matter. The Tribunal handed down a 27.6% increase.<sup>61</sup>

Whilst there was no specific formula to measure pilot relativities other professionals, flow on between the domestic airlines was critical to the bargaining pattern. However, sometimes this was not always simply achieved. In November 1974, TAA pilots pursued a 24% increase based upon an amount already achieved in Ansett. November 1974. As a result, the domestic airlines were stopped for four days. The matter was again resolved following the intervention of Mr Hawke, who persuaded the Prime Minister, Mr Whitlam, to authorise a payment to pilots to match Ansett salaries.

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<sup>61</sup> Australian Industrial Relations Commission, T Nos 16, 17, and 18 of 1974, 6 November 1974 and 25 November, 1974. This increase was based upon the movements of federal and high court judges, third division public servants and professional engineers.

Under indexation the only dispute to arise was at East-West following the service of a log of claims was served seeking a salary increase of approximately 52.5%,.

being the average of a number of traditional indicators and including federal Award rates.<sup>62</sup>

Following the notification of a stopwork meeting, the employer and the AFAP agreed upon an increase which was delivered by an increase of 22-24.37% through a common law agreement.<sup>63</sup>

A comparison of these disputes reveals a high level of increases claimed, and achieved by the pilots. Although comparing these claims to their specific salary outcomes is problematic as non-salary benefits may be involved, the outcomes of the claims which were not a direct flow on between domestic airlines was respectively were Ansett 1972 - 35% claim, 27% salary increase; Qantas 1974 - 29.3% claim, 27.6% salary increase, 1974 East-West - 52.5% claim, 22-24.37% salary increase. The failure of the pilots to achieve more similar outcomes to claims can be explained by the consistent use of ambit.

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<sup>62</sup> Don Grey 'Internal Memo', 8 October 1975, AFAP Files. Some of the indicators measured included average weekly earnings, CPI, Commonwealth Public Service second and third divisions and engineers in the Commonwealth Service..

<sup>63</sup> N. Blain, *op cit*, p. 78.

In order to achieve the outcomes sought, the AFAP was prepared to use its industrial strength. Of the disputes chosen for analysis the first Ansett dispute involved a two day domestic stoppage, the second Qantas dispute a ban of all flights into Canberra and in November 1974 the domestic airlines were again stopped for four days. In the East-West dispute a stopwork meeting was notified but did not eventuate.<sup>64</sup>

Whilst other matters occurred during this time which did not escalate, one can conclude that when faced with difficulty at the bargaining table the AFAP undertook short, sharp stoppages which were effective in achieving a resolution to their claims. This pattern of disputation is reflected in Appendix II.

Whilst stoppages alone did not resolve these disputes, the ability and willingness of the AFAP to take industrial action created an environment conducive to the resolution of claims in terms acceptable to the pilots. The ACTU and AIRC also played a significant role in dispute resolution.

The usage of industrial action in these disputes conformed to a pattern which is typical of collective bargaining. The conduct of the parties in these disputes also

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<sup>64</sup> *ibid.*, p. 78.

illustrated the predominance of collective bargaining in pilot industrial relations.<sup>65</sup> Whilst the Industrial Relations Commission played a role, it was not a role which fundamentally altered the pattern of collective bargaining.

The response of the private industry employer Ansett airlines to pilot claims was also significant in achieving resolution. Ansett appeared more willing than the government owned carrier to meet pilot demands. The attitude of Sir Reginald Ansett is illustrated by his comment at the end of the 1972 dispute,

We were practically there before the strike...The pilots conducted themselves with greater responsibility than I had anticipated and I think the settlement was satisfactory...It shows that the pilots are not quite what they are painted.<sup>66</sup>

During the period observed, the government owned airlines, Qantas and TAA, acted in accordance with government policy. The airline which departed from government policy and reached a settlement with the pilots was always Ansett.

The role of the government owned airlines and government intervention was a source of frustration to the AFAP and deserves further attention. When negotiations broke down in 1972 the Executive Vice-President of the AFAP Mr Bruce Crofts commented,

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<sup>65</sup> In the Australian environment there was no pure form of collective bargaining as an Industrial Relations system always existed. However this term most accurately describes the form of bargaining used by the pilots. It was a form which had very little reliance upon formal conciliation and arbitration.

<sup>66</sup> Australian, 11 December 1972.

it was evident from the Press and other sources that considerable pressure was being brought to bear on both airlines by members of the Government, and the political intervention was severely hampering the possibilities of fruitful negotiation.<sup>67</sup>

In this dispute the Minister for Labor, Clive Cameron, adopted the view that the pilots methods of bargaining must be stopped. He described the situation thus,

Sir Reginald would resist the pilots demands...We told him we would stand firm and not surrender under any circumstances. We had decided that the Government would ground the planes indefinitely, because the pilots have to be pulled into line.<sup>68</sup>

Ansett's agreement with the pilots bought a political rebuke for 'surrender' and 'capitulation'. The Minister for Shipping Transport and Aviation, Mr Jones, commented,

Mr Cameron and myself and myself have advised TAA that there was no justification for an increase in excess of 12 per cent now and 6 per cent next year...Any application for a fare increase will be considered in the light of the originally suggested 12 and 6 per cent...As far as Ansett is concerned, they can find the extra 4 per cent where they like.<sup>69</sup>

However, despite the rhetoric an equivalent settlement with TAA followed shortly.

The Labor Government had sought, unsuccessfully, to take a tough stance against the pilots and instead had shown that they had no control over the agreements reached by the private operator. Given the immediate flow on

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<sup>67</sup> B. I. Crofts, 'News Bulletin', No. 25/72, 12 December, 1972, AFAP Files.

<sup>68</sup> Australian, 11 December 1972.

<sup>69</sup> Sun, 12 December 1972.

implications of any salary increase at Ansett, the government was effectively tied to a similar outcome.

As a result of its perceived difficulties with Ansett, the government proposed an airline agreement which required the airlines to obtain Ministerial approval before making an offer to any union in negotiations. Further, it required the airlines to negotiate in concert. Bruce Crofts commented that if,

no offer or settlement could be made without the agreement of those other airlines and the Department...proper negotiation could not be carried out across the negotiating table.

The agreement was to be enforced by punitive action,

The Government's ability to enforce these procedures and the compliance of the airlines...was obtained through the Government's ability to withhold applications for fare increases, thus requiring the airlines to absorb any increases granted.<sup>70</sup>

This threat did not bode well for further negotiations. The government proposal was met with joint aviation union pressure and a Cabinet decision not to proceed with this agreement.

Yet, the government's interventionist approach continued in 1974, when the Qantas pilots were offered an increase of 27% during negotiations in 1974. The

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<sup>70</sup> B. I. Crofts, 'News Bulletin', No. 16 of 1973, 13 November, 1973, AFAP Files.



Federation sought a higher figure and visited the Minister for Transport, Charlie Jones, to seek approval for a 29.3% increase.<sup>71</sup> The Federal Labor Cabinet then vetoed the original Qantas offer and the Federation's domestic pilots responded with their ban on all flights into Canberra and Qantas pilots threatened not to carry members of parliament. Federation leaders clearly revealed that the relationship with the government had reached a low point,

From the statement now being made by the Minister, it is obvious by his intention to force the matter to Arbitration...to attack the pilots' salary through a work value case...to challenge...pilot salaries on the basis that they are excessive...[they] have an almost paranoiac obsession about pilots' salaries, and a very marked disinterest in Civil Aviation.<sup>72</sup>

Members of Parliament then availed themselves of RAAF VIP flights to break the Canberra blockade. The dispute had escalated into a standoff with the Federal Minister for Transport, Mr Jones, stating,

Who do the pilots think they are that they can get the sort of demands they want - and have been getting by doing what they are doing now - holding the community to ransom? As far as I am concerned they are finished.<sup>73</sup>

The intervention of the ACTU President and a Tribunal hearing then resolved the matter. The pilots were awarded a significant pay increase.

Friction with the government of the day continued when the AFAP then returned to the domestic bargaining arena and lodged an ambit claim of 40%

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<sup>71</sup> AFAP Files

<sup>72</sup> B Crofts, 'Newsletter' No 10 of 1974, 26th August, 1974, AFAP Files.

<sup>73</sup> Australian, 27 August 1974.

with the domestic airlines. Having achieved an offer of a 17.1% increase from Ansett and TAA, the pilots took industrial action. Ansett agreed an increase of 24% but TAA refused to match this level.

Prior to the Ansett agreement, the Minister for Transport Mr Jones publicly stated,

They believe that they can screw Ansett and he'll give them what they want...these fellows have been arrogant for years.

He backed this assessment through a telegram to R.M. Ansett in which he threatened that any increases not arbitrated by the Commission would result in fare decreases.<sup>74</sup> This time Jones made good this threat and immediately after the Ansett agreement, ordered TAA to cut their fares by 1.5% and threatened that he would direct Ansett to make a similar cut. The AFAP walked out of the subsequent arbitration hearings and called a further stoppage against TAA.

On 28 November 1974, following the intervention of the President of the ACTU, Mr Hawke, directly to the Prime Minister, the Whitlam government capitulated. Whitlam authorised TAA to pay a 6.9% over-award payment to match Ansett salaries. In its third attempt to take on the pilots, the Whitlam Government had been unsuccessful.

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<sup>74</sup> ibid., 21 November, 1974.

Despite the consistent efforts by Whitlam Government Ministers to effectively intervene in pilot industrial relations, they were unable to gain the support of Ansett Airlines, the ACTU and the AIRC to defeat the pilots. The ACTU's role was particularly notable and can be explained by the effect of airline stoppages upon all airline staff.

The extent of government intervention in these disputes, the potential for intervention in other airline unions disputes, and the nature of the industrial system with its flow on claims, standowns and the potential for supportive industrial action gave the ACTU a direct interest in pilot industrial relations. ACTU involvement at critical times in these disputes was sometimes the key to their resolution.

Throughout this period the government, the airlines, their pilots and the ACTU kept a balance which ensured the resolution of disputes and the avoidance of massive industrial dislocation.

Two changes occurred in 1975, which may have altered this balance. Wage indexation was introduced giving greater control over salary outcomes. The

government also amended the Conciliation and Arbitration Act to bring the specialist tribunal, the FCOIT, within the general guidelines of Commission decisions. A right of appeal from the Tribunal to the Commission was provided, ensuring the need for the tribunal to work within normal commission principles.

The Federation accepted these changes, as though they were inevitable. Federation officials faced what they perceived as an increasingly difficult negotiating climate,

....negotiations are no longer the exercise in elemental rules they may have been in the past.<sup>75</sup>

Yet little other public comment was made by Federation leaders. With the introduction of indexation, pilot negotiators turned their attention to the improvement of terms and conditions, such as annual leave.

In monetary terms, the only major dispute under the Whitlam Government's policy of indexation involved East West general aviation pilots and was uneventful.

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<sup>75</sup> 'Pilot Horizons', July 1975, AFAP Files.

Under indexation, the Federation thus achieved the outcomes it sought through improving conditions or gaining agreements outside the system. They therefore avoided a head-on confrontation with the system.

In reaching conclusions about this period, Blain noted a number of the features of this period; the pilots willingness to use their bargaining strength, their solidarity, their commitment to direct negotiations but willingness to use the Tribunal when it suited their interests, their ability to split the employers and government, and the degree of hostility between government Ministers and the pilots.

The pilots also showed considerable flexibility in how salary increases were paid and whether they were formally processed under the Industrial Relations Commission. These strategies may have proved difficult to sustain under indexation had the system remained in place for a longer period. However, indexation was short lived and confrontation with the system was avoided.

Government policy was not so successful. The Whitlam Government attempted a high level of intervention and to control salary outcomes in the public and

private spheres. In order to achieve greater control, the labor government sought, but was unable to crush the pilot union. The attempt to enforce a wages policy on a private operator was similarly unsuccessful.

There was no protracted industrial disputation during this period. The power balances, the relationships between the parties and the checks and balances in the system, were successful in preventing damaging disputation.

#### THE FRASER GOVERNMENT

The period of the Fraser Government had some similarities with their Whitlam predecessors, particularly in terms of Fraser's initial approach to wages policy. Indexation continued, albeit only partial indexation, leading to increased pilot frustration with this policy. Yet there were also contrasts with the Whitlam period, particularly the level of government intervention in pilot industrial relations and the pilots attitude towards government intervention. The two most volatile disputes will again provide a focus for the analysis of this period.

The pilots continued their traditional direct bargaining and sought to make up for any losses under partial indexation. This approach was reflected in the Federation's Executive Committee resolution in February 1977,

**Be it Resolved** that the AFAP does not accept the philosophy of plateau indexation and

**Be it Further Resolved** that contract negotiators are hereby endorsed to pursue the restoration of historical salary relativities.<sup>76</sup>

Pilot leaders set about achieving this policy. On 20 May 1977 the Ansett pilots served a log of claims. Mr Len Coysh, the Manager of the Federation, clearly signalled the Federation's intention to gain increases one way or the other,

If we cannot rely on the system to give us some compensation for cost-of-living increases clearly we have to go back to the people who pay our salaries.<sup>77</sup>

Yet, at the same time, he showed that he would consider a flexible approach on how this payment could be delivered,

how we distribute the money other than in the form of direct salary increases.<sup>78</sup>

When the negotiations broke down, the company advised the Industrial Relations Commission of an industrial dispute. As a result, the Federation called a stopwork meeting to outline the reasons for its opposition to taking the claim to the Tribunal for determination,

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<sup>76</sup> 'Minutes of the Executive Committee Meeting', February 1977, AFAP Files.

<sup>77</sup> *Herald*, 5 April 1977.

<sup>78</sup> L. Coysh, 'Memo to the President', 31 May, 1977, AFAP Files.

The reduction in pilots real wages has gone far enough...the Federation, while not officially accepting or rejecting Indexation, accepted the decisions awarded by the Full Bench in 1975...However in 1975 the whole situation changed and we entered the era of savage plateauing. For this reason the Federation decided to take a stand now and restore real wages before it is too late. We couldn't simply accept the company's position to take a matter of such importance to the Flight Crew Officers Industrial Tribunal - knowing the attitude of that Tribunal, and the Commission in general, to the question of wage rises technically outside the indexation guidelines.<sup>79</sup>

A Tribunal hearing was convened immediately after the stopwork meeting. Following a private conference under the auspices of the Tribunal and further direct negotiations, the parties were able to report to the Commission, on the 27 June 1977, that they had reached a sufficient level of agreement for a resumption of work.<sup>80</sup>

This agreement, reached without government intervention, provided for an alternative method of achieving a salary increase. The measures used to deliver the increase included an \$80 per month car allowance, an increase to superannuation, employer refund of the expenses of pilot medical tests, an increase to the Daily Travel Allowance and a draft penalty. The company gained productivity through improvements to work rules and crewing guidelines.

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<sup>79</sup> *Ibid*

<sup>80</sup> *Age*, 25 June 1977.



Other disputes under the Fraser Government conformed to this pattern. A TAA Contract settlement was struck in late September which mirrored the main provisions of the Ansett agreement, such as the superannuation amendments and the new or improved allowances.

Four months later, the Federation decided to again approach TAA. In a letter dated 24 February 1978, the Federation sought to increase salaries to make up for a 4% fall behind CPI. This variation was not accepted by the airline, which notified an industrial dispute to the Industrial Relations Commission. As a result, a stopwork meeting was called.

At this stopwork Dick Holt described the difficulties that he believed were being faced in negotiations with TAA,

TAA at management level simply refuses to be a leader or innovator in any substantial way relative to domestic contracts of employment. Always in the past they have been able to say - Ansett gave in and we had to follow...Perhaps management will be a little unpopular for dealing with us direct - I'm sure however that they could stand that.<sup>81</sup>

Confronted with indefinite strike action, the government responded by publicising examples of pilot salaries and that Captains were in the top 1% of Australian income earners. Tony Street stated,

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<sup>81</sup> D. Holt, Stopwork Address, 28 April, 1978, AFAP Files.

TAA has been prepared to negotiate on matters raised by pilots that could come within the Wage Fixing Guidelines...All Australians have a responsibility to think not only of themselves but of the consequences of their actions on others...Pilots are not exempt from them. Pilots have achieved a certain standing in our community - a standing which must carry with it a corresponding responsibility.<sup>82</sup>

However, despite the rhetoric and TAA's willingness to take a stand, no direct government intervention was forthcoming. TAA management settled their dispute by agreeing to improved allowances and concessional travel entitlements, altered scheduling rules, extension of the incremental pay scale and an increase for DC9 and B727 First Officers. This settlement was then justified as being within the guidelines and was certified by the Tribunal.<sup>83</sup> The Minister for Employment Mr Tony Street commented,

The Government was heartened by the fact that the dispute had been resolved through consultation. While the Government was closely watching all developments in the dispute, it was aware that the pilots and management were still able to discuss their problems. Most importantly the dispute has been settled and the pilots returned to work following a settlement which took full account of the wage indexation guidelines.<sup>84</sup>

Any political problems which might be faced by the government or the airline were thus dissipated.

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<sup>82</sup> 'News Release from the Minister for Employment and Industrial Relations the Hon Tony Street MP', 30 April, 1978, AFAP Files.

<sup>83</sup> N. Blain, *ibid.*, p. 81.

<sup>84</sup> 'News Release from the Minister for Employment and Industrial Relations the Hon. Tony Street M.P.', 2 May, 1978, AFAP Files.

In the annual Convention that year, the Federation President, Captain Holt, took the opportunity to reflect on these outcomes,

In the domestic arena we have simply refused to accept and be bound by constraints improperly defined, often changed, and bound up in a twisted package called Indexation. Attempts to use this package to prevent open negotiations with our employers have failed and I believe it is now clearly understood that neither the Executive nor the membership will accept any restriction on private negotiations with those employers.<sup>85</sup>

The Federation now often found alternatives to wage fixation in achieving the results of salary claims. The Industrial Relations Commission and the ACTU played lesser roles in dispute resolution during this period. Collective bargaining continued and outcomes were subsequently justified within the Commission's wage guidelines or otherwise absorbed by the parties. As long as the disputes were resolved, the Fraser Government seemed content not to be directly involved.

#### THE EARLY 1980s

The 1980s brought some new developments which were to be influential in pilot industrial relations. In late 1979, Ansett Airlines changed hands, with the takeover of ownership through a 50/50 deal between Sir Peter Abeles' TNT and Murdoch's NewsCorp. The importance of new management styles and personalities in negotiations with Ansett could not be under-estimated. This was

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<sup>85</sup> R. Holt, 'Report to the 19 Annual Convention' in 'Australian Federation of Air Pilots Nineteenth Annual Convention Melbourne 1978, Minutes and Conference Documents', p.2, AFAP Files.

the company which had so often been the leader in domestic salary negotiations and whose agreement had broken many an impasse.

Immediately, this change had no negative repercussions. In 1980, the Federation served a log of claims involving a 10% salary increase to cover the period of partial indexation from March 1975. The Federation was also confident because pilots were in demand with Qantas, TAA and Ansett all publicising recruitment campaigns<sup>86</sup>.

Sir Peter Abeles' reported reaction to the claim was that no increase could go outside the guidelines but that a solution could probably be found. This took the form of a productivity package resulting in a 5.304% increase based on catchup and productivity and increased allowances. When announcing this increase, Ansett's general operations manager Captain A. F. Lane illustrated the successful results of the bargaining, "We got productivity gains in exchange for the increases."<sup>87</sup>

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<sup>86</sup> Age, 18 July, 1980.

<sup>87</sup> Herald, undated see AFAP files.

A far reaching agreement was also achieved with Ansett in June 1982. An increase worth approximately 24% was achieved for Ansett pilots based upon productivity improvements, through measures such as scheduling changes. The pilots had also achieved a significant change in the method of their salary calculation through the introduction of a the payload weight formula.

The formula also had more immediate problems. The Commission found that the salary increase justified by its adoption was against the public interest. Eventually, after an unsuccessful Full Bench hearing, the Federation amended its application and the Commission handed down an increase which was 6.18% short of the agreed figure. The agreement was then satisfied by an over-award payment of the remaining amount. The increase was then flowed through to TAA pilots.

The achievement of this agreement and the over-award increases revealed the nature of the relationship between the parties at this time. A stalemate in the original negotiations was broken by Peter Abeles contacting the Federation directly and being personally involved in discussions. Terry O'Connell, then the AFAP Industrial Officer, described the outcome,

Sir Peter...said...for money you have got [to] give me numbers. And that was basically what it was. We reached an agreement, there was a reduction in the numbers of pilots employed over the coming period.<sup>88</sup>

The newspaper reports of the outcome reflected a positive relationship between the parties. One report read,

Mr Coysh said Sir Peter - who is credited with the phrase "If you pay peanuts you get monkeys" - was prepared to pay for good industrial relations.<sup>89</sup>

Paying an over-award after the partial rejection by the Tribunal also reflected the commitment of the parties to their agreement.

These events illustrate that despite the change in ownership, the role of Ansett in collective bargaining and pilot industrial relations was immediately unchanged. The AFAP was reassured as old patterns of bargaining continued.

However, Sir Peter Abeles at the helm of Ansett was only one of many significant changes in personnel which would affect pilot bargaining. The progression of Mr Bob Hawke from the ACTU leadership to the ALP meant that the pilots no longer could rely upon his efforts on behalf of the ACTU to resolve their disputes as had been witnessed in this period. Changes were occurring which would be far reaching.

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<sup>88</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990., p.3101.

<sup>89</sup> Financial Review, 25 June, 1982.

## CONCLUSIONS

The Fraser and Whitlam Governments showed a distinct contrast in the level of government intervention. Under the Whitlam Government, the result of this intervention was to heighten the tensions involved in dispute resolution often culminating in the involvement of the ACTU.

The antipathy which existed between the Whitlam Government and the pilots reflected a philosophical commitment by the government to egalitarianism and equity, resulting in flat salary increases and statements that pilots were overpaid. In contrast, the Fraser Government was influenced by a laissez faire approach and let the parties determine their own outcomes.

Regardless of the political climate, the AFAP continued in its commitment to collective bargaining, but sometimes adopted a flexible stance as to how negotiated increases might be paid. The Federation illustrated a wariness of Commission arbitration and the role of the Commission in dispute resolution was often insignificant. Pilot distrust for arbitration as noted by Blain continued and was not aided by the failure of the parties to agree a formula for determining pilot remuneration. Yet at the same time, Blain observed that the AFAP exhibited a

...willingness to use the system when it considered there might be an advantage in doing so.<sup>90</sup>

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<sup>90</sup> N. Blain, *op cit.*, pp.71-2.

A pattern of negotiations varying between Ansett and Australian Airlines had also become well established with reliance on Ansett as the more meaningful and adventurous bargainer. The ACTU had often become embroiled and had acted as an effective circuit-breaker in the interests of protecting the employment of its own members.

The AFAP was successful in obtaining improved terms and conditions of employment consistently throughout the period aided by the ability to negotiate indirect increases, to justify agreed rises within the guidelines or reach an alternative solution, such as an over-award payment.

The success of the AFAP's approach to bargaining approach was also dependent upon the co-operative relationship existing between the pilots and their management. The co-operative relationship between the parties helped them overcome the effects of external influences such as the changing wages guidelines. At no stage did the political, economic or other factors intrude to significantly determine outcomes or to redefine the relationships between the parties. No external factors had as yet significantly changed the bargaining environment.



The relationships between the parties were particularly important not only to the salary increase but to ongoing harmony. As a further example, they also took a combined approach to economic downturn. Ansett and TAA approached the AFAP, in late 1982, requesting the return of half of a negotiated pay outcome. A deferral of the effective dates of increases was agreed.<sup>91</sup>

The employers and government failed to successfully challenge pilot bargaining power and the AFAP, aided by the ACTU and the AIRC, contained the use of this power to limited industrial action and succeeded in achieving bargained outcomes and maintaining its industrial strength.

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<sup>91</sup> AFAP files.

## CHAPTER THREE - IMMEDIATE WAGES OUTCOMES

The longer term advantages of a prices and incomes accord must be distinguished from the short sighted political expediency which the Fraser Government has sought to impose in the form of a wages freeze...the Fraser Government's policies have considerably increased the inequity of that [income] distribution.<sup>92</sup>

An essential aspect of the electoral success of the Hawke Government was its pledge to work in harmony with the unions, minimising industrial disputation. The Accord, or the agreement between the ALP and the ACTU, was sold to the nation as the way forward in a spirit of co-operation. Its origins were therefore essentially political, its implications were far reaching.

This chapter examines pilot industrial relations under the Hawke Labor Government and the Accord in the period prior to the 1989 industrial dispute. Comparisons have been drawn with the patterns of pilot bargaining discovered thus far. This approach clarifies the length and the nature of the build-up to the 1989 dispute and whether the tensions that led to this dispute developed gradually, or whether the dispute was a short-term aberration.

Agreed to in February 1983, the details of the Accord were really ironed out once the Labor Government had come to power. A central aspect to the Accord

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<sup>92</sup> Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions regarding Economic Policy, February, 1983.

was full wage indexation. It also contained a greater emphasis on industrial democracy and equal opportunity, greater superannuation and the improvement of the social wage through measures such as the reform of workers compensation, etc... In short it guaranteed real wage maintenance whilst introducing the concept of a social wage. It stated,

The government will aim to eliminate poverty by ensuring wage justice for low wage earners, reducing tax on low income earners, raising social security benefits and making other improvements to the social wage.

The proponents of the Accord characterised it as a vehicle for national growth, job creation and a reduction of unemployment.

Following applications to the Commission, the first National Wage case to consider the Accord was convened. In returning to a centralised system the Commission was particularly concerned to ascertain the commitment of the parties to this system.

More emphasis than usual was put in these proceedings on the requirement that unions should publicly and expressly commit themselves to accepting this decision of the Commission and to abiding by its terms.<sup>93</sup>

Upon application to the Commission and giving the required no-extra claims undertaking, unions were rewarded with a full CPI increase of 4.3%

Full indexation was in line with the objectives of the AFAP.<sup>94</sup> The Federation expressed no immediate dissatisfaction with this system, gave the necessary

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<sup>93</sup> Australian Industrial Relations Commission, National Wage Case, 23 September 1983, p. 17.

<sup>94</sup> 'Strategy Meeting Minutes', 1 February, 1983, AFAP Files.

commitment and received the increase. Little comment on the nature of this system is found in AFAP publications of this time, with the first comments appearing later in Air Pilot of Summer 1987. These reflected a very pragmatic approach, with close attention to the financial result,

The general recipient of indexation, the PAYE employee, is also hard pressed to be convinced that full indexation maintains real living standards...whilst progressive taxation rates and increasing interest rates have all seriously reduced our purchasing power...adjustment in line with the Consumer Price Index...at least has us believing we are holding ground.<sup>95</sup>

The AFAP co-operated in the centralised wages system, with little complaint up until 1986, which may also be explained by the circumstances of financial difficulties which then experienced by the airlines, as will discussed in Chapter 7. The Federation continued within the system to receive further increases in line with inflation in 1984 and 1985 of 4.1%, 2.6% and 3.8%.

Bargaining which reflected the past patterns also continued. A log of claims was served on TAA on 31 October 1983 as the AFAP President described TAA as 'dishonouring' the pre-existing agreement to introduce the payload weight formula and its associated salary increases. TAA's position was related as follows;

TAA indicated that they were committed to a centralised wage fixing system...as such they could not pay the Payload Weight Pay formulae or the allowances unless the increases were approved by the Australian Conciliation and Arbitration Commission.<sup>96</sup>

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<sup>95</sup> ibid, p.3.

<sup>96</sup> 'Pilot Horizons', No. 41/83, 22 December 1983, AFAP Files.

The matter was referred to an Anomalies Conference on the basis that the airline would support the Federation's submissions and would not bind the Federation to the outcomes if it was unfavourable. For their efforts, the pilots achieved the implementation of the payload weight formula, an increase of allowances based on CPI and a 4.3% National Wage increase.

Sir Peter Abeles was personally involved in the resolution of the next round of Ansett negotiations, in 1984. The agreement involved an increase in salary for pilots based upon a change to the salary level for pilots working a minimum number of hours, or on leave, and increased allowances. In an unusual move, no newsletter immediately reported this outcome. The first newsletter to detail the settlement was in May 1985. The reason for this lack of publicity is explained in this late briefing,

The agreement was a 'package' and was reached without an industrial dispute. Because of the delicate nature of the 'accord' and the current industrial relation climate details were conveyed to you at pilot information meetings rather than through the traditional medium of a Pilot Horizons.<sup>97</sup>

Back in TAA, an agreement was reached to achieve parity with Ansett pilots. However, when this agreement was presented to the Tribunal, its certification was refused on the grounds that it provided an increase outside that allowed under the National Wage Guidelines. An anomalies conference was then

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<sup>97</sup> 'Pilot Horizons', No.19/85, 15 May 1985, AFAP Files.

necessary to process this matter through the Commission. Again, as in 1983, TAA pilots were before the commission seeking an Ansett catch-up. The increase was certified on 28 November, 1985.

These disputes illustrated ongoing co-operation between the pilots and their employers, particularly Ansett, and the continuation of direct bargaining. However, the nature of this bargaining had changed. The National Wage decisions of the Industrial Relations Commission had a greater impact upon pilot bargaining than had previously been witnessed. Yet the limitations of the National Wage decisions were still not unsurmountable, and a variety of tactics were used, within and outside the Commission.

In pursuit of its claims, the AFAP showed less propensity to initiate stop works and stoppages. Appendix II shows no disruptions over pay disputes with the Airlines between January 1982 and June 1986. This was a marked change from the regular pattern of annual short sharp stoppages which had occurred previously. Indeed the only industrial action during this period were two short stopworks aimed at the government on the issue of superannuation. The pre-existing pattern of bargaining, which had involved disputation, had effectively ceased.

Comfortable with their CPI increases and the direct bargaining which continued with the airlines, the only real difficulties encountered by the AFAP in this period were the result of government policy. Government taxation policy on allowances is also worthy of note as it limited the effective delivery of salary increases in the form of allowances. In December 1985, changes to Ansett allowances which had previously agreed, were dropped. In lieu, a new concept was introduced; the "X day", later known as the "O-day" This extra day enabled the pilots to choose to work an extra day and receive an extra days pay.<sup>98</sup> A flexible and co-operative approach thus continued when confronted with difficulty.

In his pre-Christmas 1985 musings on the outcomes of salary negotiations under the Accord, the President of the Federation Buck Brooksbank commented on the Federation's "quiet achiever" policy in a 'very complicated game of chess'.<sup>99</sup> The conduct of the employers or the relationship with management did not concern the Federation. Indeed Ansett's role as a leader in negotiations continued. An indication of the degree of consensus in bargaining at that time was an agreement between the Federation, Ansett and Australian to give parity to movements in allowances.<sup>100</sup>

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<sup>98</sup> AFAP files.

<sup>99</sup> 'Pilot Horizons.', No. 44/85, 13 December, 1985, AFAP Files.

<sup>100</sup> 'Australian Federation of Air Pilots and Australian Airlines Ltd, Logs of Claims Negotiations, 26th June, 1989 to 30 June 1989, Summary of Proceedings', AFAP Files.

## RISING TENSIONS

The additional difficulties of taxation increased the pressures of centralised wage determination as the federation's President, Captain Brooksbank noted his views on the future of the Accord,

We have been complying with the Accord but if there are to be major tax increases and/or changes to other long term entitlements then the industrial harmony that has prevailed over the last two years will cease.<sup>101</sup>

These troubles were exacerbated by an economic downturn and its reflection in the Accord Mark II. June 1986 saw the first decision under the Accord to depart from full indexation.

Partial indexation was a new trend which would lead to an increasing level of tension between the Accord partners, and in the industrial relations community. Tensions which would be particularly felt by groups, like pilots, with sufficient bargaining strength to achieve greater outcomes.

Airline negotiations, in 1986, illustrated the nature of the many pressures upon the parties. Both the Ansett and TAA negotiations broke down and the President of the Federation pointed to Government intervention,

The Ansett contract renewal negotiations broke down after one day as the Government intervened and directed Ansett to negotiate on pay and allowances in an industry negotiation...we suggested that our Licence Renewal Allowance and Car expenses be directed into the Superannuation scheme...The Government then intervened and directed

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<sup>101</sup> 'Pilot Horizons', No. 5/86, 2 April, 1986. AFAP Files.



TAA to not agree with this legal, and no cost proposal and strongly discouraged Ansett and East West to agree.<sup>102</sup>

The Ansett pilots achieved penalty payments for non-rostered flying and for airline errors in Award interpretation, an increase in standard pay and in allowances. However, the licence renewal allowance, complicated by the new taxation provisions led to differences of interpretations between the Ansett pilots negotiating team and the company, leading to accusations of bad faith bargaining and then a ban on non-rostered flying. Although this matter was resolved and a significant increase was applied to the Daily Travel Allowance, the Ansett pilots and their management were saddled with an increasingly complex Award.<sup>103</sup>

The Australian Airlines negotiators did not mimic the Ansett example, and their outcome involved this increased allowance and an increased blocking range, with pilots sharing the benefit of additional time worked.<sup>104</sup>

The ACTU reacted to the pressures created by partial indexation with a new two tiered approach. Under this plan, some control on wage outcomes still remained with the Commission, a minimum was provided to protect the weak, whilst the stronger unions could bargain at the workplace under a 4% ceiling.

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<sup>102</sup> Pilot Horizons., No. PH22, 11 July, 1986, AFAP Files.

<sup>103</sup> AFAP files.

<sup>104</sup> AFAP files.

The March 1987 National Wage Case reflected this approach, awarding the first in a series of flat increases, \$10 per week with a further 4% available as a second tier productivity increase. A specific provision of 3% was also made for superannuation.

This new approach created a number of problems for the AFAP. Pilot applications for National Wage increases did not proceed smoothly. The Tribunal had interpreted the decision within the General Aviation Award to apply the full \$10 only to Captains and \$6.50 to First Officers whose Award salary was expressed as 65% percent of a Captains pay. A subsequent appeal to the Full Bench was not successful. The Executive Committee condemned this action,

**Whereas** the Executive of the AFAP is totally opposed to the Arbitration Commission's interpretation of the National Wage Case, with relation to G.A. First Officers' salaries,

**Be it Resolved** that this Executive condemns this gross act of discrimination.<sup>105</sup>

Problems in General Aviation were exacerbated by the need to negotiate offsets for the 4% increase. Direct bargaining in General aviation was difficult, companies were smaller, dispersed and often unprofitable. In this area, where the Federation would have benefited from minimum wage increases they were finding little joy in the Commission's approach.

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<sup>105</sup> 'Minutes of the Executive Committee Meeting', August 1987, p. 16, AFAP Files.

The 4% increases, with the associated trade offs, were negotiated with less difficulty in the airlines, but this was not perceived as a rewarding exercise.

those 4 per cent negotiations influenced the way some of the negotiators felt...there was almost...nit picking...we gave concessions, but there was no looking at the overall picture, it was just centring on something that would give us 4 per cent...it was just the perception that...there was no control of their own destiny in the area of salaries and that they were slipping as a result...<sup>106</sup>

For the airline negotiators, the enforcement of this type of quantum through negotiations was viewed as a limitation to achieving a full and free negotiation and settlement.

In 1987, airline superannuation pay-out figures were improved in line with the Commissions 3% superannuation decision and increased hours of work. The full extent of the improvement is revealed by the following report in Pilot Horizons,

[the] submission demonstrated to Sir Peter that AMP's management of the scheme was incredibly bad and that improved management would save Ansett at least one quarter of current costs and that such saving should be shared...in simple terms 79 [hours] pay-out rises to just under 92 hours whilst Ansett enjoys a substantial reduction in employer's contribution despite the 3% increase.<sup>107</sup>

However, the flat increases awarded by the Industrial Relations Commission were less rewarding and created a compression of Award salaries.

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<sup>106</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3128.

<sup>107</sup> 'Pilot Horizons.', No. 40/87, 15 September, 1987, AFAP Files.

Apart from a one day stopwork against TAA on 17 June 1986, the AFAP continued to accept the National Wage Decisions, together with any other benefits they could achieve through direct negotiations. In 1987, the Federation delayed the Australian Airlines Contract renewal on the basis of the financial difficulty being experienced by the company, particularly by its Air Queensland operations, and the potential for pilot redundancies. Terry O'Connell commented,

the decision was taken that we wouldn't pursue any change to the Award in 1987 and we thought we let them know fairly clearly that when the time came for the next negotiation that we would expect some form of...payment for that, that there needed to be some recognition of that fact. So, we just said we will wait for you - for things to pick up and hope that they do.<sup>108</sup>

The AFAP's pragmatic approach was at the forefront.

#### AN IMPROVED ECONOMY

During 1988, an improved economy, the continuation of partial indexation and the awarding of flat increases through the National Wage Case heightened tensions in the industrial relations system. With a National Wage increase of \$6 p.w. in February 1988, the Accord achievements were increasingly falling behind CPI. The Federation's Strategy Seminar conclusions, adopted by the April 1988 Executive Committee, strongly criticised this outcome,

The AFAP totally rejects the current wages system's preoccupation with flat increases, a this compression (of relativities) is contrary to the maintenance of real income policy.

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<sup>108</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3123.

The Federation will monitor developments in the National Wage Case and review this decision in the light of its long term policy of real wage maintenance.<sup>109</sup>

The Federation's tolerance of a system of wage determination was waning in a context where pilot salaries were declining against the cost of living.

Unrestrained by the ALP connections of other unions or by the ACTU, with whom they had not unaffiliated, the Federation sought a remedy to this problem through collective bargaining. They served a claim for a 10% pay increase upon the domestic airlines, based upon 5% for the future inflation rate, 4% for efficiency and 1% 'catch-up' to compensate for salary compression in rates caused by the flat National Wage increases.<sup>110</sup> At the time of the normal contract renewal negotiations the Ansett negotiating team pursued the 10% claim and achieved an increase in standard pay from 83 to 85 hours and increases in allowances. Drafting rules were simplified and tightened. Terry O'Connell described the negotiations,

In 1988...we met with Ansett in Hobart, and when we sat down there it was guidelines, guidelines, guidelines...we had a claim in at 10 per cent... we talked around... ways of getting money for pilots, and that, once again, resulted in penalty payments - changes to the penalty payment structure in the Awards.<sup>111</sup>

About the time of this settlement, the August 1988 National Wage Case was being handed down providing for a 3% increase, with \$10 per week at least six

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<sup>109</sup> 'Minutes of the Executive Committee Meeting', April, 1988, AFAP Files.

<sup>110</sup> 'Minutes of the Executive Committee', June 1988, AFAP Files.

<sup>111</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3124.

months thereafter. The focus of this decision was on structural change at the workplace level, reflected in the Commission's new structural efficiency principle.<sup>112</sup> The Federation's August 1988 Executive Committee determined,

**Whereas** the August 1988 National Wage Case decision...falls well short of the...promise that real wages would be maintained...Australia's pilots once more have salary relativity degraded as a result of this decision, and... Australia's pilots remuneration is considerably lower than "world average", and...the airline companies have never carried more passengers nor made more money,

**Be It Resolved** that this Executive requests the President to call Extraordinary General Meetings of all pilots to report and explain to members the implications of remaining within the National Wage Guidelines as outlined in the August decision.<sup>113</sup>

The calling of these Extraordinary General Meetings reflected pilots perceptions of poor returns from airline negotiations and from National Wage decisions, in contrast to high airline profits.

## PRESSURE FROM THE SHOP FLOOR

Pressures on the pilot leaders also arose from the more inventive forms of bargaining which had continuously been used in past years. The increases which had been gained were not as evident as benefits through direct salary

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<sup>112</sup> Other unions were experiencing similar frustration. The 1988 National Wage hearings were dogged by industrial action and adjourned on two occasions. Also expressing its frustration, the Printing and Kindred Industries Union was conducting industrial action in support of the ACTU claim in the National Wage Case proceedings. This then led the PKIU to be specifically exempted from the flow on benefits of the National Wage Case. The Commission reinforced its perception of the required commitments by stating, trade unions either jointly or individually, cannot have it both ways: they cannot seek the benefits of a centralised and stable system of industrial relations and at the same time destabilise such a system by pursuing sectional claims and taking industrial action. Australian Industrial Relations Commission, National Wage Case August 1988, p. 2

<sup>113</sup> 'Minutes of the Executive Committee Meeting', August 1988, AFAP Files.

movements. Pilot dissatisfaction, particularly in Ansett was clear. Terry O'Connell observed,

As a result of the Ansett 1988 negotiations, there was a level of dissatisfaction in relation to the fact that many of them saw that we...the negotiating team - had traded off conditions without suitable recompense.<sup>114</sup>

A campaign of grass roots dissatisfaction was commenced by two Ansett pilots, Cris and Alex Patterson.

In July 1988, the Pattersons sent a letter to the Ansett pilot negotiating team criticising a number of the new contract provisions. A month later, it was sent to all Ansett pilots with a covering letter from the Pattersons stating,

We find it staggering that in a period of world pilot shortage, and record Ansett profits that our negotiating team unable to negotiate a more favourable contract. If you find this set of circumstances unacceptable we urge you to sign the petition on the crew notice boards, calling on the negotiating team to negotiate a new contract, and if not prepared to do so then resign and allow a new negotiating team to do the job.<sup>115</sup>

A round of the Extraordinary General Meetings was called. Prior to these meetings the Patterson brothers provided a further memo to Ansett pilots containing suggested resolutions relating to their dissatisfaction with particular Ansett Award provisions. Terry O'Connell commented later,

I believe that what is in those letters reflected the point of view of a significant number of the Ansett pilots.<sup>116</sup>

The meetings passed the following resolution,

**Be It Resolved** that the appropriate AFAP officers be instructed to take whatever action is deemed necessary to alert the Government and the

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<sup>114</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3133.

<sup>115</sup> AFAP Files

<sup>116</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3134.

employers that they cannot expect and further acceptance of Arbitration Commission decisions of the upper level tax rate is not substantially reduced after 1st July, 1989.<sup>117</sup>

The President of the Federation wrote to the Treasurer expressing opposition to further flat salary increases and the resultant salary compression. The letter also reported the outcome of the round of meetings as follows;

These meetings overwhelmingly rejected the concept of further flat increases and accepted the [national wage] decision only on the basis of substantial taxation cuts flowing to all sections of the community on 1 July 1989. This letter is not written as a threat. In fact in relation to the cuts we seem to be pushing the same barrow. It is written to inform you of the growing frustration and discontent of the pilots ...<sup>118</sup>

## STOPWORK

Frustration at the wages system was again vented at the 24 hour stopwork meeting held on 24 February 1989. Unlike the Extraordinary General Meetings, it was now the Federation leaders who were leading the voicing of complaint. The leaders addressed the meeting on a number of issues, including their difficulty with applying the Structural Efficiency Principle of the August 1988 National Wage Case. A momentum was building which required an outcome to these claims.

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<sup>117</sup> 'Victorian Branch Minutes', AFAP Files.

<sup>118</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3132.



After the stopwork meetings, the Federation published a series of newsletters know as Deadline 89. These newsletters continued the momentum of pilot dissatisfaction and signalled to the industry the serious nature of their intent to redress the wages problem. One of the newsletters warned pilots how to prepare for a non-income period or NIP should there be industrial action. Eric Green, an East-West manager commented,

that indicated to me that there may be prospects of a serious industrial issue.<sup>119</sup>

After a period of low volatility, the AFAP had returned to its pre-existing pattern of stopworks or stoppages when dissatisfied with salary outcomes. Although this stoppage was only for one day, it marked a preparedness to return to industrial action. Also notable was that all domestic airlines were affected.<sup>120</sup>

Whilst the newsletter Deadline '89 could be seen as preparing the airline pilot group for some form of industrial action, the third issue of this newsletter illustrates that the Federation was still searching for alternatives,

Let me commence by indicating that industrial action is not inevitable. The Federation will endeavour to achieve an equitable remuneration through discussion and negotiation with your employers as is the normal practice.<sup>121</sup>

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<sup>119</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 2086.

<sup>120</sup> From 1983, a dispute against all domestic airlines effected all airline members of the AFAP.

<sup>121</sup> 'Deadline 89', Issue no. 4, AFAP Files.

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## ROOM FOR RESOLUTION?

One avenue to relieve these pressures was the overdue negotiations with Australian Airlines. On 23 May 1989, the Federation served a Log of Claims upon Australian Airlines. The Log which had been delayed since 1987 on the basis of the financial difficulties which had beset the company with its purchase of Air Queensland. Mr Terry O'Connell described the ambit nature of this log as follows;

There was plenty in it, including Fairlane cars for captains and Fairmonts for first officers. There was a whole spread of areas that we thought we could explore with the companies.<sup>122</sup>

A 'lock in' style negotiation was then held in Lorne in the last week of June, 1989. Terry O'Connell described his impression of the state of negotiations on the first day,

the message that come out early in the piece was that...there was money around for us if the deal was proper if...the productivity was there...bearing in mind guidelines, bearing in mind the Australian board's position, the government, that if we came up with a proper deal then there was scope for reasonable pay increases.<sup>123</sup>

That evening more specific indications were given,

during the course of that night there was mention of money in the vicinity of 15 per cent for us if a proper deal was reached...and it was explained to me that that was not a hard-and-fast offer at all but that there was potential in that...there could be scope depending upon how things went.<sup>124</sup>

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<sup>122</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3155.

<sup>123</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3165.

<sup>124</sup> ibid., p. 3165.

However, the next morning, Terry O'Connell reported a new position by Australian Airlines management; that any salary agreement would be subject to industry acceptance.

it was a complete surprise and it was something that was totally - totally unexpected and totally outside what had been the normal negotiating position between the Federation and Ansett and Australian....it was a red rag to the Australian pilots bull...they didn't want to have their salaries dictated to by...Sir Peter Abeles or Ian Oldmeadow.<sup>125</sup>

On 18 July the Federation was informed that there was no offer. AFAP Vice-President Captain Noel Holt described this meeting,

the Federation was advised that Australian Airlines was again unable to discuss any money matters outside of the 'guidelines', were committed to an 'industry acceptance' of any claim and were unable to put a \$ amount on proposals discussed...in short it was back to day one.<sup>126</sup>

As a result the Federation withdrew its log and the discussions ceased.

The disappointment of the AFAP Vice-President, Captain Holt was evident from his Pilot Horizons newsletter where he bemoans the lost opportunity and the failure to reward past changes implemented during the life of the agreement.

His concerns at the restrictiveness of the guidelines led to an angry outburst,

the present archaic system of industrial relations in this country is the reason for its malaise and must be abolished - NOW...to those of you contemplating going to work for operators who pay market rates and who treat their pilots as assets, my advice to you is simple - GO.<sup>127</sup>

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<sup>125</sup> ibid., 3167-8.

<sup>126</sup> 'Pilot Horizons.', No. 28/89, 19 July 1989, AFAP Files.

<sup>127</sup> ibid.

Given the history of pilot bargaining, this outcome was not surprising. The government owned airline had rarely been the leader in bargaining. This was the traditional role of Ansett Airlines.

Ansett too had opportunities for a resolution of AFAP salary claims.

### THE A320 WORK VALUE CASE

Another approach by the Federation to receive a salary increases was based upon changed work value when the A320 aircraft was introduced into Ansett airlines, one of the first companies in the world to fly this high technology aircraft. Terry O'Connell commented,

it introduced new technology that we had not seen before and was a quantum leap over and above anything that was flying in Australia at that time.<sup>128</sup>

As a part of this process, new skills and knowledge were required. The AFAP sought a work value increase of 16.67% which was rejected by Ansett as being outside the wages guidelines.<sup>129</sup> The AFAP Executive Committee resolution of November, 1988 stated,

**Whereas** the present pay scales for the A320 were premised on a three crew operation, and **Whereas** ATI will now be operating the aircraft in a two crew configuration,  
**Be it Resolved** that the President directs the ATI negotiating team to pursue, as a matter of urgency, pay rates applicable to the A320 bearing in mind this new set of circumstances and new technology.<sup>130</sup>

<sup>128</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3141.

<sup>129</sup> 'Pilot Horizons.', No. 1/89, 4th January, 1989, AFAP Files.

<sup>130</sup> 'Minutes of the Executive Committee Meeting', November, 1988, AFAP Files.

The company notified an industrial dispute to the Industrial Relations Commission, and the AFAP placed a ban upon flight operations on the A320 until an agreed pay rate was established. This ban was withdrawn ten days later on the basis that negotiations would commence....

there was some fairly difficult negotiations proceeding and in the end we met with Sir Peter and the company gave a commitment that in a work value process within the Commission...they would support the fact that there was some work value merit in the case, but they would not support us in terms of our claim...We got to the stage where we were confident that the company wouldn't arrive at the commission and say there is no ground for a pay increase on the A320.<sup>131</sup>

Ansett pilots then began an extensive work value case through the Industrial Relations Commission, which involved the calling of witnesses and the tendering of other evidence.

The pressure was high, in January 1989, a temporary work ban was placed on the aircraft by regulatory pilots in the Civil Aviation Authority. These Federation members were also seeking a higher salary for this aircraft and their action threatened the pace with which the aircraft could be introduced into service<sup>132</sup>

However, in the Industrial Relations Commission the hearings were drawn out, delayed and eventually ran aground with the handing down of the August 1989 National Wage Case Decision. The issue of whether the work value case would be processed under the old or current principles was raised in the Commission

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<sup>131</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, pp. 3143-4.

<sup>132</sup> This action was short lived and the bans were removed at the direction of the Industrial Relations Commission.

by the Ansett advocate, Mr Graeme Stafford, prior to any discussion on this point with the Federation. In his submissions before the Commission, Mr O'Connell responded,

I think it is very presumptuous to put a document on the table here today [the guidelines] that was served on everybody yesterday...We...will have to reconsider our position in terms of future payments that may be made to all pilots.<sup>133</sup>

To the Federation, this was a breach of faith by management given the agreement on the processing of the claim. No further Commission hearings took place.

The opportunities which existed to resolve the pilots claims prior to direct confrontation had now been missed. In an atmosphere of building tensions from the time of increased government intervention in negotiations in 1986, and improved economic performance from 1988, either confrontation or resolution were inevitable.

#### AFAP INSPIRED BY HISTORY?

At this point, it must be noted that the failure to take advantage of these opportunities must lie with both with the airlines and the Federation.

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<sup>133</sup> Australian Industrial Relations Commission, Transcript of Proceedings, T nos. 30002, 30003 and 36098 of 1989, 8 August 1989, pp. 126-8.

Federation leaders may have allowed these opportunities to pass by on the basis of their confidence, gained through their history, that they were able to meet the challenge of a direct confrontation over the wages guidelines. Previous instances, under the Whitlam and Fraser Governments, where salary disputes developed into a direct confrontation involving government wages policy, the Federation had emerged victorious.

The AFAP was experiencing the frustration, also felt by other unions, that more could be bargained outside the National Wage Guidelines than could be achieved within them.<sup>134</sup> The high salaries of airline pilots were also most affected by the compression brought about through the introduction of flat dollar amount National Wage increases. However, the AFAP was also not politically restrained by ties to the Labor Party or through affiliation with the ACTU. It therefore did not reconsider its history and find a new course of dispute resolution.

For the airlines other concerns, such as their public commitment to the guidelines, the future deregulation of the airline industry may have allowed them to have let the opportunities of resolution slip by. These motives shall be examined later in more detail.

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<sup>134</sup> See footnote 112.

## CHANGED RELATIONSHIPS?

Other changes had taken place in pilot industrial relations in the years leading up to 1989, particularly those affecting the parties themselves which may explain the failure by the parties to diffuse the pilots claims.

In a cosmetic change, the government airline changed its name to Australian Airlines to promote a new, more commercial image. After the fanfare of its original creation, Australian Airlines had grown increasingly pressured by the need for government equity and dogged by debate on the question of privatisation. Australian Airlines' future was often of concern to the Federation. Motivated by fears of asset stripping or foreign ownership the AFAP made a significant submission to the Harris Advisory Group into Australian Airlines and to the ALP committee on privatisation.<sup>135</sup> These submissions included the need for Australian airlines to be able to compete in a deregulated environment, capital requirements and the potential for employee share ownership.<sup>136</sup> Yet concerns about the future of the government carrier had often surfaced in the past, and much about the company had remained the same. It was still fully government owned and therefore obligated to work within government policy.

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<sup>135</sup> 'Pilot Horizons', No. 31/87, 28 July 1987, AFAP Files.

<sup>136</sup> 'Submission to the Advisory Committee on Australian Airlines on Behalf of Australian Airlines Pilots', January 1988, AFAP Files.



Changes at East West Airlines were more significant as they had been taken over by Ansett Airlines owners TNT/NewsCorp on 31 July 1987. This produced a greater concentration of ownership in the industry. When this is considered together with the departure of Qantas pilots from the Federation in 1983, the AFAP's ability to utilise the bargaining tactic of playing one airline off against the other had become more limited.

Instead, the airline operators were becoming increasingly unified in their negotiating positions. Although the East West Award had previously been a party to private agreements outside the wages system, with the takeover by Ansett this company's negotiations fell more into line with that of Ansett. East-West Manager Mr Eric Green described that during 1988 one of the objectives of his employment was,

to ensure that the East-West industrial relations...were brought more in line with the industry generally...East-West had apparently a record of having previously operated outside what the rest of the industry did...one of the major thrusts...to ensure that the policies and letters of operation fitted with the industry generally.<sup>137</sup>

He further commented,

we were strongly committed to ensuring that the guidelines were observed and we would not be doing anything whatsoever which might be considered to be a breach of the guidelines.

He confirmed that these were instructions that had been given by Ansett management.<sup>138</sup>

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<sup>137</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 2071.

<sup>138</sup> Ibid., p. 2007.

Yet the most significant development during this period was the deteriorating relationship with Ansett Airlines. As noted earlier, there was no fundamental change in the relationship with the takeover of Ansett by TNT/NewsCorp. Sir Peter Abeles had the day to day responsibility for the airline and early relationships were good.

In running his businesses, Sir Peter Abeles' management style often involved the recruitment of key government and union personnel. In the aviation industry, Sir Peter Abeles recruited the ACTU officer responsible for airline affairs, Mr Ian Oldmeadow, to head the industrial relations team in 1986. Mr Len Coysh, the long time Executive Director of the AFAP, also became an Ansett employee in 1987 in the position of the Personnel and Industrial Relations Manager - Flight Staff.

In first major dispute which took place after the recruitment of Oldmeadow, the airline adopted new hardline tactics. TWU members were confronted with individual contracts. During this dispute there were allegations of the extent of Oldmeadow's involvement. Workforce ran a story in the middle of its front page coverage of the TWU airline dispute as follows;

**What Role is Played by Ian Oldmeadow**

Ian Oldmeadow left ACTU employ just before Christmas. Whatever precise title Ian Oldmeadow now has, it would be unthinkable for Sir Peter to have such a widely experienced man as Ian Oldmeadow on his payroll and not consult with him.<sup>139</sup>

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<sup>139</sup> Workforce, No. 583, April 2, 1986.

In the pilot bargaining arena, Mr Terry O'Connell described the 1988 Ansett negotiations as being fairly tough,

Len Coysh was the leader of the Ansett negotiation team, and there was obviously no love lost between him and some of the other people...on our side of the table.<sup>140</sup>

From the union perspective, there was a perception of a more difficult negotiating environment.

During this period the principal officers of the AFAP had also changed. Captain Brian McCarthy gained the AFAP Presidency in 1988. His Vice-Presidents, Captains John Raby and Noel Holt were also newly elected to these roles at that date. Norrington describes the airlines perception of the new AFAP team as negative,

What distinguished McCarthy was his single-minded determination to fight for what he wanted, blind to self-doubt. Airline executives branded McCarthy as a militant.<sup>141</sup>

Whilst all of the new players for the AFAP and the airlines had previously been experienced in aviation industrial negotiations, their newfound roles injected an unpredictable element into negotiations and possibly additional antagonism.

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<sup>140</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3124. See also B. Norrington, op cit., p. 191.

<sup>141</sup> B. Norrington, ibid., p. 6.

The tensions which were building in the relationship with Ansett were noted by the Federation. The pilots were dissatisfied with what was perceived as an increasing number of alleged contract violations <sup>142</sup> In June 1989, the AFAP Ansett Vice-President Capt. John Raby advised the pilot group to work much more strictly in accordance with their agreement provisions. His newsletter describes the situation thus;

The present attitude of ATI management to Industrial Relations is appalling! It had degenerated to the stage where edicts and instructions from the office of the Flight Operations Director are supposed to supplant years of understanding and negotiated settlements. <sup>143</sup>

This boiled over in July 1989 when the Ansett Check Captains (senior management pilots), placed bans on their availability. The Federation claimed that Ansett was breaching the provisions of the Agreement, that there were not sufficient Check Captains and as a result these pilots were not getting sufficient line flying. <sup>144</sup> The matter was finally resolved after mass resignations from Check Captains were threatened. <sup>145</sup>

The pilots also perceived that Ansett's industrial relations policies had undergone a change. Len Coysh was quoted as stating,

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<sup>142</sup> 'Minutes of the AFAP Executive Committee Meetings 1987 - 1989', AFAP Files. The problems included:- June 1987 secondment to Ansett New Zealand considered as contrary to the agreement, November 1987 new leave policy promulgated viewed as in conflict with the agreement, February 1988 alleged breaches of approved accommodation provisions, April 1988 concerns about Ansett's interpretation of agreement provision on a pilot's tour of duty, June 1988 expressed concern that ATI freight was being carried by non-ATI carriers employing non-AFAP pilots, June 1988 alleged breaches of Air Navigation Orders relating to the carriage of persons in custody without notifying the Captain, November 1988 concerns that pilot strength was beneath the levels proscribed under the agreement, June 1989 concerns that the First Class Travel provisions of the agreement were not being implemented.

<sup>143</sup> 'Pilot Horizons', No 19/29, 21 June 1989, AFAP Files.

<sup>144</sup> 'Pilot Horizons', 9 May 1989, AFAP Files.

<sup>145</sup> 'Executive Committee Minutes', February, 1989, AFAP Files.

there is no way that we can think in a vacuum any more and say that we can do something for pilots and not for other people.<sup>146</sup>

Vice-President Raby also reported similar sentiments from the Ansett General Manager,

[at] a meeting on 29th May Mr Graham McMahon the General Manager remarked that pilots were 'just another group of workers' and would no longer be given any special consideration.<sup>147</sup>

Mistrust and aggression were now dominating the relationship between Ansett management and the AFAP. Whilst Sir Peter Abeles remained at the helm, his previous practices of personal intervention and problem solving had become less common. Ansett management exhibited a more consistent commitment to centralised wage fixation, a commitment which conflicted to the traditional form of direct bargaining.

This enhanced commitment by Ansett to the system of wage fixation was in line with the influential friendships of Sir Peter Abeles, such as that with the Prime Minister Mr Bob Hawke and Mr Bill Kelty from the ACTU. Sir Peter Abeles friendship with the Prime Minister had ensured his attendance at the Economic summit which took place shortly after the election. Mr Norrington observed,

Hawke invited Abeles to the economic summit in Canberra which set his Government's prices and incomes Accord with the ACTU in motion. Abeles played an important role in the summit and became a strong advocate of the Accord.<sup>148</sup>

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<sup>146</sup> 'Pilot Horizons', No. 19/89, 21 June 1989, AFAP Files.

<sup>147</sup> *Ibid*

<sup>148</sup> B. Norrington, *op cit.*, p. 190. Mr Norrington also describes this friendship in further detail.

These ties to the Accord were public, and for Sir Peter Abeles also had a personal element.

Sir Peter Abeles and Mr Bill Kelty were also party to a secret deal, on 25 November 1988, at Kirribilli House between the Prime Minister Mr Bob Hawke and the Treasurer Mr Paul Keating regarding Keating's succession to the Prime Ministership. In the Financial Review, this was described as a meeting of 'four mutual friends'.<sup>149</sup> The potential influence this gave all concerned in such a newsworthy deal, and the internal reliance placed upon each other within the group, must have enforced a co-dependency when its members perceived an external threat.

Significant changes had thus occurred in the relationships of the immediate parties, their approaches to industrial relations, their pattern and method of bargaining. The full ramifications of the changes had also occurred in the approach of the government and the ACTU towards industrial relations will be further considered in Chapter 5.

## CONCLUSIONS

A wages policy by a Labor Government, which had little scope for the aspirations of high income earners, occurred under both the Whitlam and

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<sup>149</sup> Financial Review, 3 June, 1991.

Hawke Governments. This approach was consistent with a number of Labor philosophies, such as egalitarianism. The industrial relations policies of the government owned airline consistently mirrored government policy. Australian Airlines was not the industry leader or the innovator in pilot industrial relations. Instead, the government airline followed in the footsteps of Ansett, as had so often occurred with its predecessors.

However, in the 1980s there were significant changes to the pre-existing dynamics of pilot industrial relations.

Firstly, increased restrictions were placed in the way of direct over-award bargaining. These restrictions involved prescriptive national wage guidelines, no extra claims commitments and taxation changes which limited the alternatives to salary increases. There was less and less scope for bargained outcomes which were not in direct conflict with the wages guidelines. Private agreements, which directly broke the wages guidelines were becoming the only means to continue to achieve additional wages outcomes. Yet pressure was increasing against the use of such agreements.

Secondly, the AFAP had become caught up by the prevalent wages system. The patterns of pilot bargaining and wages outcomes had been affected. Pressure grew upon the AFAP to return to collective bargaining at a time when

the bargaining partners had become unaccustomed to freedoms and implications of collective bargaining. The "norms" of regular pattern of direct bargaining had been overtaken by the "norms" of the centralised system. For the more recent participants in pilot industrial relations, it was this altered environment in which they had the most experience. They had become unused to the traditional bargaining patterns of short, sharp stoppages followed by a quick resolution.

Thirdly, the relationship between Ansett and the AFAP had deteriorated. Ansett was less likely to assist the AFAP in gaining a resolution to its claims which were outside the centralised system. The dynamics of the traditional patterns of bargaining had thus undergone a fundamental change. This was a change which worked against the AFAP's ability to successfully bargain relief from the wages outcomes of the Industrial Relations Commission.

When the National Wages system delivered partial indexation and salary compression through flat increases, the pilots were unable to find a pressure valve to release their frustration. There were no short sharp stoppages that resolved these issues. Instead, the 1989 dispute over pilot salaries was building up over a lengthy period and gathering a greater momentum than had been witnessed in prior disputes. A pressure release through in direct confrontation with both the operators and the centralised wages system was becoming



inevitable, as was the forcefulness of the confrontation. It was a process that the AFAP, aided by its history and unhindered by ties to the ALP and ACTU, was unwilling to resist.

These difficulties are reflected in the following ironic passage from the AFAP magazine Air Pilot in its Autumn 1989 issue,

It is now time for this changing environment to be recognised by properly remunerating pilots, if not then it's time to abandon the system, however bloody the battle may become.<sup>150</sup>

Despite, and because of the changes of the 1980s, the battlements were readied. The AFAP was confident in this approach.

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<sup>150</sup> Air Pilot, Autumn 1989, p.1.

## CHAPTER FOUR - THE DISPUTE AND THE RETURN TO THE AIRC

The simple position that we are faced with is that we have an organisation, the Australian Federation of Air Pilots, and their members, who seek to put themselves above and beyond the community by an unacceptable greedy grab for remuneration.

Bob Hawke<sup>151</sup>

The vehemence of the Prime Minister's media attack, which followed the pilots' salary claim, the co-ordination of the employers and the government, and the speed of punitive action were all features of this dispute. By describing some of the features of the 1989 dispute, this chapter reveals the extent to which it differed from prior disputes, the speed and virulence and the unprecedented actions in this dispute which polarised the parties and set impediments to settlement with no circuit-breaker.

Many of the events of the dispute are described in Norrington's Sky Pirates.<sup>152</sup> Given the complexity of, and the extensive materials available on the dispute, this chapter does not describe all its features but gives emphasis to a political and industrial relations perspective, in line with previous chapters. Other authors have commented on the tactics followed by the parties, the safety allegations, the legal implications etc... these are not the focus of this discussion, nor will this thesis attempt to do justice to the life experiences of

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<sup>151</sup> The Australian, 21 August, 1989.

<sup>152</sup> B. Norrington, op cit.

discussion, nor will this thesis attempt to do justice to the life experiences of those affected by the dispute. These are outside the ambit of the focus of this work.

#### A SALARY CLAIM

A letter of claim, seeking a 29.47% salary increase, was served upon the domestic airlines on 26th July, 1989. The amount sought had been calculated from the percentage that airline pilot salaries had slipped since the abandonment of full indexation together with an estimated 7% for inflation for the forthcoming year. The Federation also justified the quantum sought on the basis of the level of increases being received by other professionals outside the wages system.<sup>153</sup>

In comparison with claims by the Federation over the previous years, the quantum itself was not unusually high. It was a traditional claim in the sense that it involved inflation and relativities.

The immediate airline reaction to the claim was not particularly negative. When Mr Terry O'Connell delivered the letter to Mr Graham McMahon, a discussion struck up involving Sir Peter Abeles. Mr O'Connell recalled,

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<sup>153</sup> AFAP Files.

During the course of the discussions [Sir Peter] said that he thought that the industry negotiations were a good idea, that that's the way it should go...I think he also said he was hopeful that something came out of it.<sup>154</sup>

Upon receipt of the claim, conferences took place with the airlines between 1 and 9 August 1989. During this period the National Wage guidelines were handed down. In the meetings with the airline companies, the question of the AFAP's commitment to the guidelines became a primary issue, with the airlines requiring an upfront commitment to the guidelines. Having noted that their last commitment to the National Wage Case Guidelines had expired on 30 June 1989, the Federation was not keen to rush into this commitment. Mr O'Connell also explained that the experience with the Australian Airlines negotiations reinforced the caution of Federation leaders. He explained their perception of this requirement,

as a means of preventing genuine negotiations...the pilots were particularly influenced by the exercise that had occurred at Lorne where we went through a genuine process of trying to establish grounds of mutual interest...and then found that the rug was pulled out from under our feet...we had to get something positive before we would be prepared to talk about anything.<sup>155</sup>

The Federation first presented its claim as not being ambit. In its own minutes of early company meetings, the Federation records the explanation of its representatives that,

There is no ambit in the claim and we see this as bringing pilots back to a reasonable level.<sup>156</sup>

In a later comment Mr O'Connell further explained this approach,

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<sup>154</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No.31317 Of 1990, p. 3188.

<sup>155</sup> ibid., p.3191.

<sup>156</sup> 'Ipec Aviation Discussions held 1 August 1989', AFAP Files.

We weren't going to sit down and immediately say, "I know the 29 per cent is not fair dinkum." We sat down there to start negotiations and we used that as a basis and we weren't going to move away from it until we started talking properly and that was the basis of the no ambit. I don't know any union that has served a no ambit claim....and meant that there was nowhere to talk...if you negotiate, you're talking about give and take. That's the way it was - that was the way we always believed it was.<sup>157</sup>

It is difficult to determine whether this was a retrospective characterisation of the claim as ambit; the evidence is inconclusive. Despite evidence before the Industrial Relations Commission, D.P. Hancock was unable to determine this point.<sup>158</sup> However, it was clear that a potential gap existed between the position being sought by the Federation and the amounts which were perceived as available through the National Wage Guidelines.

Although the claim was served prior to the National Wage Case decision, the portrayal of no ambit and the use of catch up to calculate the claim were at odds with the system of wage structural efficiency offsets encompassed in the National Wage Guidelines. The Federation made no effort to rebut the allegation that its claim was outside the guidelines and challenged the wages guidelines. Instead, Federation leaders argued that those who were gaining the largest salary increases were those who were outside the centralised wages

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<sup>157</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No.31317 of 1990, p. 3197. The Federation quickly dropped its non-ambit approach as seen in its Press Release of 12 September 1989. AFAP Files

<sup>158</sup> Australian Industrial Relations Commission, Decision, C No. 31317 of 1990.

system.<sup>159</sup> As a result, the Federation actively assisted the perception that they were challenging the guidelines.

A commitment to the guidelines also caused difficulty to the pilot leaders for other reasons. Pilot leaders viewed the National Wage Decision as providing two 3% increases for structural efficiency trade offs, together with an uncertain Special Case mechanism. The National Wage Decision of 9 August 1989 was characterised by these leaders as not applicable and its structural efficiency measures were considered irrelevant or already achieved. Federation leaders could not understand how these guidelines could produce a significant pay increase for pilots. This reinforced their determination not to commit themselves to these guidelines.<sup>160</sup>

The Commission interpretation of the guidelines and the extent of flexibility available, was difficult to immediately assess. The ACTU's first reaction to the Commission's decision was critical. On the day the guidelines were handed down, Mr Kelty described them as 'incomprehensible' and commented,

I would not be prepared to give any collective commitment to a system that I do not completely comprehend.<sup>161</sup>

The ACTU employed a method of assessment of the guidelines by using 5 test cases before it was prepared to make a commitment.

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<sup>159</sup> AFAP Files.

<sup>160</sup> Standard letter from Brian McCarthy to union leaders, 17 August 1989. AFAP Files.

<sup>161</sup> Financial Review and Australian, 8 August 1989.

The airline employers did not necessarily perceive the same difficulties with the guidelines. On 2 August, the airlines sent a standard letter to their pilots which read,

To pursue a claim outside the system would place pilots in direct conflict with government, the Australian Industrial Relations Commission and the Australian community. For this reason, the Federation has been advised that should it contemplate any difficulties with the National Wage Case principles, it should address the Full Bench of the Commission.<sup>162</sup>

In a progress report on negotiations they stated,

The companies then repeated their offer to negotiate a pay rise for all pilots consistent with the National Wage Principles. In this regard they cited the Structural Efficiency Principle as being the most relevant, at the same time encouraging examination of opportunities under other principles. They highlighted a structural career path (broadbanding), redefined bid periods, preferential bidding including composite blocks and a focus on productive flight time as possible areas for negotiation.<sup>163</sup>

The employers suggestion that the Federation approach the National Wage Bench or the ACTU did not rest easily with the Federation, their historical wariness of the Commission and their desire for direct negotiations. Mr O'Connell illustrated this view in the meetings with the airlines by reminding them it was

Not unusual to talk between the parties and agree to take the matter to the Tribunal.<sup>164</sup>

After the meeting on the day the guidelines were handed down, the airline managers sent a standard letter to their pilots which illustrated little sympathy for the Federation's position.

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<sup>162</sup> 'Notice to Australian Airlines Pilots', signed by James Strong, 2 August 1989, AFAP Files.

<sup>163</sup> 'Notice to All Pilots' signed by James Strong, 8 August 1989. AFAP Files.

<sup>164</sup> 'Industry Meeting Held 1 August 1989', Federation minutes, AFAP Files.

The airline companies pointed out that:

a) The AFAP...has, over the last four years, operated within the system and accepted....pay increases and productivity offsets,

b) The various AFAP negotiating teams have negotiated six new contracts between 1985 and 1989 which have enabled pay increases....

Given this background the airlines were concerned to hear the AFAP wanted retrospective 'catch-up'. In doing so it would seem the AFAP is attempting to reverse its previous commitments. Accordingly, the AFAP claim for recognition and valuation of past productivity was rejected.<sup>165</sup>

The employers sought the Federation's commitment to the principles before negotiations could begin. The Federation was not prepared to give such a commitment, or to abandon or delay its claim. The conferences broke down on 9 August 1989.<sup>166</sup>

That same day, the Federation advised the companies of their intention to hold stopwork meetings. In a letter to the international pilot body IFALPA, Brian McCarthy outlined his assessment of the situation,

Unfortunately we believe the companies...wish not to negotiate to force severe disruption or cessation of domestic aviation services within Australia to belittle the professional position of pilots in Australian aviation.<sup>167</sup>

Once aware of the stopworks, the companies notified the Commission and a hearing was scheduled for the following day.

In the Commission, Justice Coldham heard the submissions of the airlines and the representative of the Minister for Industrial Relations who stated that the

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<sup>165</sup> 'Notice to All Pilots' signed by James Strong, 8 August 1989, AFAP Files.

<sup>166</sup> See standard letters to pilots on 9 August 1989, AFAP files.

<sup>167</sup> B. McCarthy letter to IFALPA, 10 August 1989, AFAP files.



AFAP's claim was outside the wages guidelines. The AFAP sent a representative who had no authority to represent that organisation other than to read a prepared text. Justice Coldham directed the Federation not to hold its meetings in the manner proposed. Without hearing the AFAP's justification for their claim, he also stated that the quantum of the increase sought could not be justified within the guidelines.

I find it somewhat incredible that a claim of these proportions can, in your wildest dreams, be justified within the present wage fixing principles.<sup>168</sup>

For pilots, already distrusting of the Commission, this rebuke solidified their position that the Commission was not an alternative to direct negotiation.

#### COMBINED FORCES

Already the pilots had found opposition to their claim from the employers and government. In the initial stages of seeking resolution to a salary claim, this was not unusual. However, the vigour with which the Commission had condemned the claim was less usual. Also unusual, was the early role taken by the ACTU which undermined the position of the Federation.

ACTU president, Martin Ferguson, threatened a direct flow on of any pilot achievements. This threat further politicised the dispute, by sending a clear

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<sup>168</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C Nos 36153-5 and 36177 of 1989, Melbourne, 10 August 1989, p.11.

message that others workers would not abide by the wages system if the pilots won extra gains,

If pilots are granted any more than 6 per cent, every worker in Australian will be entitled to whatever they get.<sup>169</sup>

A letter from Mr Bill Kelty to the airline operators on 11 August reinforced this pressure,

The ACTU notes the claim of 29.47% by the AFAP and indicates that, if an offer is made by the companies to the AFAP that in any way goes beyond the increases available to a representative group of other airline workers or does not meet the other requirements for other workers, we will pursue with the greatest vigour increases equal to those offered to pilots for all other airline workers.<sup>170</sup>

Already there was a level of opposition to the pilots claim which had not previously been encountered. Both the AIRC and the ACTU had taken an immediate stance against the pilots claim which was in line with that of the employers and government. It was therefore most unlikely that either the ACTU or the AIRC would play their traditional roles of impartial third party, to offer a hand to resolve the dispute, as Bob Hawke had often done as ACTU President.

## INDUSTRIAL ACTION

The stopwork meetings went ahead, one per day per port, between 11 and 14 August 1989, in defiance of the Commission. The meetings recorded a 95% secret ballot vote by airline pilots in favour of pursuing the wage claim potentially through industrial action. The resolution passed stated,

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<sup>169</sup> *Australian*, 12 and 13 August 1989.

<sup>170</sup> ACTU letter to Sir Peter Abeles, 11 August 1989. AFAP files.

**BE IT RESOLVED** that this meeting authorises the President to take whatever action is necessary up to and including indefinite stoppage to restore the true value of the profession of pilot in Australia.<sup>171</sup>

A meeting was convened on the 15 August 1989 to determine the employer response. Present at this meeting were the Prime Minister Mr Bob Hawke, Sir Peter Abeles and Mr Ted Harris, the Ministers Morris and Willis. Mr Bill Kelty was also contacted by telephone. Prior to the full industrial stoppage, this meeting locked the government into arrangements to compensate the airlines, foreshadowed the cancelling of the Awards and gained Kelty's approval for these actions. The mood was certainly not in favour of seeking a resolution to the pilots' grievance. Sir Peter Abeles was noted as saying,

Fighting to be outside Award. If they are outside, with government backing and stick together we can really take them on. Will be short - we won't give them anything.

The Prime Minister concluded by giving the airlines carte blanche.<sup>172</sup> The Labor Government and the ACTU were thus directly involved in the planning of employer tactics prior to the commencement of full industrial action.

The government and the employers had already adopted positions which ensured that the dispute would not be resolved through negotiations if industrial action were taken. In contrast, industrial action was increasingly perceived by Federation leaders as the only method to break the impasse.

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<sup>171</sup> 'Minutes of Stopwork Meetings', AFAP Files.

<sup>172</sup> Federal Court, Transcript of Proceedings, No. VG221 of 1990, Melbourne 21 February, 1992.

On the same day, the matter of the dispute was reconvened in the Industrial Relations Commission. The government representative initiated the question of the cancellation of Awards by stating,

The Government will support any move for the cancellation of suspension of the agreements relating to the terms and conditions of employment of pilots.<sup>173</sup>

Justice Coldham then directed the parties into conference under the wage fixing principles, with no industrial disputation to commence during this conference. A further meeting between the parties was then held in the Federation offices on 17 August 1989. However, the 17 August meeting also broke down on the issue of the guidelines.

On 18 August 1989 the Federation commenced its 9 to 5 campaign of work limitations. This campaign had been specifically designed by the Federation to ensure continued services, albeit at a reduced level, thus minimising public discontent and the effect on other airline staff. The Federation's media release stated,

Bearing in mind the vital importance of tourism to our economy, the importance of aviation to remote and isolated communities in Australia, and to Australia generally, I will be directing the airline pilots as from tomorrow to work a 9 am to 5 pm day. By doing so, the travelling public will be guaranteed continuity of services to every city in Australia while we meet to negotiate further with the companies.<sup>174</sup>

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<sup>173</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 36447.

<sup>174</sup> 'Press Release', 17 August 1989, AFAP Files.

That same day, the companies applied in the AIRC for the cancellation of the Federation's airline Awards. A Full Bench of the Commission decided that unless it received the AFAP's undertaking to remove its bans prior to 4 pm on Monday 21 August 1989, it would cancel the Federation's airline Awards.

The Federation is clearly not prepared to accept its responsibilities under the Act and Awards and we do not believe that in this case it should continue to receive the benefits provided to the Federation's members as a result of it being party to those Awards of this Commission.<sup>175</sup>

In a rapidly escalating situation the Prime Minister warned,

We have discussed the contingency plans that will be pursued by the airlines; that is, the adoption of legal processes against individual pilots and their organisation...the airlines will be pursuing those legal processes with the full support of my Government.<sup>176</sup>

At the same time, the Prime Minister directly attacked the professionalism of the pilots by describing them as glorified bus drivers and stating that pilots only needed seven hours to learn to fly and did very little work.<sup>177</sup> Terry O'Connell commented,

it was seen by the pilots as a real attack...on what they saw as their professionalism...if he had tried to more deliberately turn the course of events against...a return to the Commission, he couldn't have done it any more perfectly. He actually had the pilots up in arms...it really galvanised the pilots<sup>178</sup>

Three days after industrial action commenced, the airline Awards were cancelled and the Prime Minister had declared war.<sup>179</sup>

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<sup>175</sup> Australian Industrial Relations Commission, Decisions, C no. 36447 of 1989, Melbourne August 1989.

<sup>176</sup> Australian, 21 August 1989.

<sup>177</sup> B. Norrington, op cit., p. 52 -3 contains a number of quotations from media interviews on this day.

<sup>178</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No.31317 Of 1990., p.3213.

<sup>179</sup> Sun, 22 August 1989.

As a result of their industrial action, the pilots were outside the system, unwilling and unable to rely upon the AIRC and open to the combined employer and government tactics. With the Award cancellation and united employer and government tactics, the pilots were under considerable pressure. The dispute was reaching its climax.

On 23 August 1989, the companies began to stand aside pilots who were still working 9 to 5, and prepared legal writs seeking damages upon individual pilots and the Federation. The writs against the Federation made claims of inducing pilots to breach their contracts, interference with trade and contractual relations, conspiracy to injure and intimidation.<sup>180</sup> Following a tip-off that the writs were being prepared, the vast majority of airline pilots, 1647 in all, signed masse resignations.<sup>181</sup> The next day, the resignations and the serving of writs coincided. In all, writs were served against 67 pilots as individuals, the elected officers of the Federation, a staff member, Terry O'Connell, in his role of Executive Director, and the Federation itself as a legal entity.

It was now only seven days after the 9 am to 5 pm work limitations had been imposed and actions had taken place which broke relationships to an extent unseen before in the history of pilot industrial relations. Tactics which had never been seen before in pilot industrial relations were to continue.

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<sup>180</sup> AFAP Files

<sup>181</sup> Australian Industrial Relations Commission, Decision, C No.31317 of 1990, p. 28.

The government authorised the RAAF to move domestic passengers to minimise dislocation. Qantas pilots refused to assist this effort, carrying only those domestic passengers that had genuine compassionate reasons.<sup>182</sup>

Government restriction upon foreign carriers taking domestic passengers over domestic routes were lifted. Foreign aircraft, complete with their crews, were then available for charter. Australian airlines chartered from Monarch, Britannia Airways, Trans European, JAT, Lauda Air, Aeromaritime, Inter European and Dan Air. Ansett chartered from America West, Air 2000, Paramount Airways and Arrow Air. In a unprecedented spectacle, foreign aircraft and their crews operated from the domestic terminals of Australia's airports.<sup>183</sup>

In order to quarantine the impact of the dispute and to avoid standowns of other airline unions members, the direct government subsidy to the airlines, promised at the 15 August meeting, was delivered in the form of the waiving of landing charges. On 24 August, the day of the resignations, an agreement was released between the airlines and Mr Bill Kelty which avoided stand downs through use of methods such as use of leave entitlements and redeployment.

We have advised that the stand down of non pilot employees would be pursued only as a last resort option and only after every reasonable means of ensuring that our staff are not placed in a situation of hardship is exhausted.<sup>184</sup>

Federal Cabinet formally approved the subsidy deal on 12 September 1989.

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<sup>182</sup> B. Norrington, *op cit.*, p. 55-57

<sup>183</sup> *ibid.*, p. 55.

<sup>184</sup> Ansett memo to all staff on the job 24 August 1989, AFAP files.

The speed and scale of the united response from the employers, government and AIRC to the pilots bans was previously unseen in airline pilot industrial relations. Actions were taken, such as legal action, stand downs and resignations, which were to have significant implications for the future direction of the dispute and airline pilot industrial relations. An unprecedented co-ordination between the government, the airlines and the ACTU was also significant. Ansett did not waver from the common path as had occurred in the past. The ACTU did not intervene or attempt to act as an intermediary. There was no 'cool-off' or 'cool-down'.

#### REBUILDING?

The rest of the dispute centred around the issues of rebuilding services, temporarily and permanently, a battle between the airlines and the Federation for pilot loyalty and the future role of the Federation.

The AFAP leaders had based their confidence on the high degree of pilot solidarity, their view that the pilots could not be replaced, and their assumption that these factors would create situation which would inevitably lead to negotiations. Brian McCarthy commented,

Resigning was about the biggest decision I have ever taken, but I know it was for the best in the current impasse...By STICKING TOGETHER the companies will eventually have to talk to the Federation...I know that



you are 100% behind us in this current impasse and this makes my job that much easier.<sup>185</sup>

For the dispute to be won by the airlines, the pilots eventually had to be re-hired or replaced to restore services. The Federation sent out newsletters to pilots employed in general aviation to keep them informed of the situation. Through its affiliation with IFALPA, the Federation black-banned domestic and international pilot employment by the airlines. The Federation also sought, unsuccessfully to use its IFALPA connection to limit the additional flying of foreign carriers on domestic services in Australia.<sup>186</sup>

The few management pilots who had not resigned, began to fly with their numbers being boosted by overseas airline pilots and recruits from general aviation who had never worked in the airlines before. The airlines sent senior staff overseas on recruitment efforts. Government processes for the immigration and licensing of foreign pilots who could fly airline aircraft in Australia were then fast-tracked.<sup>187</sup> The employers utilised the immigration regulations to bring foreign pilots to Australia through the employer nomination scheme.

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<sup>185</sup> 'Deadline 89', issue no. 12, AFAP files.

<sup>186</sup> Letter from Bart Bakker, President IFALPA to international airline companies 23 August 1989, AFAP files.

<sup>187</sup> B. Norrington, *op cit.*, p. 130.

The Federation took counter-action against the fast tracking of licensing of these foreign pilots by raising safety concerns with the speed of their processing. This issue, and the impact of the dispute on aviation safety more generally, were picked up by Liberal and Democrat MPs. On 17 October 1989 they combined in the Senate to initiate the appointment of a Senate Committee to investigate into the effects of the dispute.<sup>188</sup>

Legal action was also initiated by the Federation against the use of the employer nomination scheme to bring foreign pilots into Australia. This was done on the basis that there was no skills shortage in Australia and the scheme was being improperly applied.<sup>189</sup> An injunction was achieved on 12 April 1990 which prevented further foreign pilots from entering Australia. However, by this stage approximately 160 pilots had already arrived. Mr Norrington describes the arrival of these foreign pilots as "a key factor in the breaking of the Federation."<sup>190</sup>

The jobs of the dispute pilots were slowly filled by other pilots. Due to the risk of deportation of those foreign nationals already in Australia, the government subsequently issued a new regulation which allowed these foreign airline pilots

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<sup>188</sup> Hansard, No. 16, 17 October 1989.

<sup>189</sup> AFAP Files.

<sup>190</sup> B. Norrington, op cit., p. 46.

to be granted permanent residency.<sup>191</sup> The AFAP later abandoned any attempts at deportation through continued legal action.

The governments role in the dispute was therefore not simply replacing the pre-existing services and limiting the impact of the dispute on the public and on airline workers. Through the avenues described above, the government provided significant assistance to the airlines in their efforts to rebuild their pilot workforces.

#### TACTICS FOR RESOLUTION?

The Federation tried various avenues to resolve the dispute. On 6 September 1989, Capt. McCarthy offered a return to work between 9 and 5 if genuine negotiations commenced.<sup>192</sup> However, the airlines had decided to rebuild by hiring pilots on individual contracts, a process which excluded the Federation.

On this same day Sir Peter Abeles stated in a letter to Capt. McCarthy,

You and your association have made it quite clear during the whole of this year that you were not prepared to act responsibly. You and your association rejected the authority of the Industrial Relations Commission, and chose to put yourself outside the recognised industrial relations structure. Ansett is not prepared to deal with you or your association. Ansett will deal with pilots singly or in groups.<sup>193</sup>

The companies focussed their efforts on individual approaches to pilots.

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<sup>191</sup> *Ibid.*, p. 245.

<sup>192</sup> AFAP Files

<sup>193</sup> Letter from Peter Abeles to Brian McCarthy, 6 September 1989, AFAP files.

On 11 September 1989, Mr James Strong wrote to the Australian pilots offering re-employment with seniority for the signing of individual contracts with a cut-off at the end of that week. On 12 September, the Federation made a further improved offer which was to return to work full time to enable negotiations to proceed, but still no result. On 17 September, the Federation sought the mediation of Sir Lawrence Street, the past head of the Supreme Court in the State of New South Wales.<sup>194</sup> The airlines were in no mood for mediation.

The commencement of the airlines' campaign, to rebuild their pilot group through individual re-employment, began with the cancellation of the Awards, the serving of writs upon individuals and airline correspondence to individuals. Pressure upon the pilots as individuals continued with the airlines' threat to pilots' superannuation through a defalcation clause. Ansett wrote to its pilots;

Ansett is calculating the loss and damage caused and will be caused, the amount of such loss and damage to be deducted from your superannuation entitlement. If there is any balance outstanding it will be remitted to you in due course.<sup>195</sup>

Employer tactics focussed upon dealing with pilots as individuals and on rebuilding their pilot strength. The airlines also made it clear that as a result of the dispute, not all pilots would be re-employed. Protection from legal action, protection of superannuation entitlements, future careers, were all enticements for pilots to return as individuals.

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<sup>194</sup> Sir Lawrence Street was held in high regard by Australian Airlines as is illustrated in an article in The Australian Way, in October 1990. It was therefore not the choice of mediator which presented a problem.

<sup>195</sup> Ansett Transport Industries letter to individual pilots dated 25 August, 1989, AFAP files.

The Prime Minister personally assisted in the campaign of individual re-employment by writing to the airline pilots individually on 15 September 1989.

He stated,

The Government will, with the airline companies, ensure the rebuild of domestic airline services in Australia..As a result of its own actions the Federation has no basis for a role in the resolution of this dispute....The way is open to your re-employment through the contracts with individual pilots being offered by the airlines.<sup>196</sup>

The Prime Ministers position was entrenched as he illustrated by his comments in a television interview with Jana Went,

My credibility is on the line. If I can't protect Australia against the small group who would destroy the Australian wages system and destroy the Australian economy then I don't deserve to be Prime Minister.<sup>197</sup>

From all quarters of government the message was consistent,

It is now a matter between individual pilots and their companies.<sup>198</sup>

The Federation also tried individual approaches. The Ansett Vice-President, Captain John Raby, wrote to Sir Peter Abeles suggesting a private meeting. Sir Peter Abeles response made it clear that such a meeting would only be on the basis that it was not a meeting with the Federation but with Captain Raby as an ex-Ansett employee. When these terms were accepted and a meeting arranged, it was cancelled by Sir Peter Abeles with no explanation.<sup>199</sup>

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<sup>196</sup> Individual letter to the airline pilots by Bob Hawke, AFAP Files.

<sup>197</sup> The Bulletin, 17 October 1989, p. 58.

<sup>198</sup> Financial Review, 25 September 1989.

<sup>199</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, pp. 3242-3.

In late October, other individual approaches appeared to bear fruit. Discussions took place with Mr Neil O'Keefe, a Labor Member of the House of Representatives for Macedon, an area where a number of pilots resided. Mr O'Keefe formed a conduit between the Federation and the Prime Minister. Initial contacts, which are detailed in the Industrial Relations Commission proceedings, seemed positive. However, these endeavours came to naught as the Prime Minister determined to resolve the dispute without the Federation. The chain of contact was then lost.<sup>200</sup> No doubt, other discussions were held and other avenues explored during this period, but their contribution to dispute resolution was insignificant.

A public image of confidence of Federation leaders continued, despite the failure of their public and private offers and the moves of the Commission. Brian McCarthy stated in a media release,

The re-building of an airline from scratch to equal that existing prior to the dispute will never be achieved. The expertise and professionalism of the Flight Standards Management and the pilots who have resigned will never be replaced by a hotch potch of mercenaries and misfits.<sup>201</sup>

In September 1989 this confidence still had a basis in pilot solidarity, as virtually none of the pilots who had resigned had returned to the companies.

Ansett set a deadline of 5 pm 22 September 1989 for pilots to return via individual contracts and not lose seniority. Shortly after the 5 pm deadline

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<sup>200</sup> *Ibid.*, pp. 3327-3339.

<sup>201</sup> 'Press Release', 14 September 1989, AFAP files.

passed, the Commission faxed to the parties a notice of listing for the issue of a statement on 25 September 1989.

## BACK BEFORE THE COMMISSION

In this statement Justice Maddern announced that the Commission would arbitrate on the dispute.

I have taken into account the attitudes expressed by the parties in various proceedings before this Commission, public statements...and attempts by members of the Commission to encourage further conferences between the parties, and I have decided that it would not assist if I made further endeavours to settle the dispute by conciliation.. In these circumstances the Commission is required by the Act to deal with the industrial dispute by arbitration.<sup>202</sup>

This was the first time since the Award cancellation on 21 August, 1989, that proceedings had taken place before the Commission. It was not an intervention to mediate between the parties, or an arbitration designed to achieve a reconciliation, but a response to the airlines process of rebuilding. The President directed the parties to provide reports on the question of the form of new Awards. These Awards were then to be the basis of arbitration. The Commission saw this as an important matter as,

We have a prima facie view that an Award should be made in the terms of the existing contracts so that adequate protection may be given to the interests of both employers and employees.<sup>203</sup>

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<sup>202</sup> Australian Industrial Relations Commission, Statement by Justice Maddern, President, Melbourne, 25 September 1989.

<sup>203</sup> Australian Industrial Relations Commission, Decision, C Nos 36153, 36154, 36155 and 36157 of 1990, Melbourne, 29 September 1989.

The Federation pushed on with its efforts to seek resolution to the dispute and sought the Commission's involvement in conciliation prior to this arbitration. The pilots withdrew their claim for 29.47 per cent on 4 October 1989 and issued a new log of claims. The new log included the salaries and some productivity savings from the individual contracts, couched within the pre-existing conditions of employment. The Federation sought the assistance of the Commission through a compulsory conference. By withdrawing the claim and being prepared to accept arbitration, the Federation leaders had removed the obstacles to the Commission in becoming involved in dispute resolution. However, the President of the Commission decided not to conciliate.<sup>204</sup>

On 10 October 1989, the Commission accepted, with minor alterations, the company contracts as the new Awards. This action allowed the companies to continue with their efforts to seek re-employment on an individual basis and gave the benefit of Award protection to the individuals who returned to work. The Commission provided no reconciliation, and no future role for the Federation in the airlines re-building. In an unusual step, the new Awards were made without a union respondent. These actions were a further blow to the Federation. Terry O'Connell explained,

I know the pilots were taken aback by the fact that we had this new claim and that that was a fair and proper way in their opinion to start a process of negotiation. The rejection of that and the making of the Awards in basically the same terms of the companies' contracts...reinforced their apprehensions about the process of arbitration in the Commission.<sup>205</sup>

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<sup>204</sup> Australian Industrial Relations Commission, Decision.

<sup>205</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3293.



The Federation prepared an alternate tack and made application to become a respondent to the IPEC Award and indicated that it would then seek the conciliation of the Commission. The airline objected to this course and the Commission rejected the application making it clear that the Federation would have to apply for respondency to all the Awards.

It is clear to us that the AFAP does not represent the existing employees of the companies and that the organisation continues to encourage its members to refuse to offer themselves for employment with the companies...we are not satisfied that there has been sufficient change in attitude adopted by the AFAP towards the principles of the Commission and the process of conciliation and arbitration.<sup>206</sup>

The Commission gave the Federation the date of 24 November 1989 for the Federation to make this application and the Federation complied.<sup>207</sup>

#### ANOTHER BLOW

On 23 November, Justice Brooking of the Victorian Supreme Court handed down his decision on the airlines writs, which then only remained against the Federation its staff and officials. He found the Federation parties had interfered with contractual relations, trade or business by unlawful means and had conspired to effect an unlawful purpose. The damages were subsequently determined to be 7.5 million dollars plus legal costs; a bill sufficient to bankrupt the Federation.

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<sup>206</sup> Australian Industrial Relations Commission, Decision, C Nos. 316153, 316154, 316155 and 316157 of 1989, 10 October, 1989, p. 3.

<sup>207</sup> Australian Industrial Relations Commission, Statement, C. No. 37482 of 1989, Melbourne, 20 November 1989.

Both the pursuit of this action and the awarding of damages were unusual in industrial relations. Mr Norrington commented,

Threats by employers to seek damages from striking unions were not new...however such threats were generally intended to apply pressure on unions to cease industrial action. Damages actions were hardly ever carried through to conclusion and were...usually dropped to restore relations in the workplace once the settlement was reached. The pilots dispute was different. The domestic airlines led by Ansett had a ruthless determination to use all the industrial weaponry at their disposal.<sup>208</sup>

No similar employer initiated legal action had previously been undertaken against the AFAP and no action had had such significant consequences.

#### THE CHRISTMAS PERIOD

With the dispute unresolved, the AFAP's final chance to turn the tables was the traditionally busy Christmas season. On the 27 October 1989, the Federation attempted to capitalise from this situation. They offered to return to work over the Christmas holiday period on pre-dispute conditions as a cooling-off period.

<sup>209</sup> Again the airlines were not interested.

Mid-December there appeared another alternative. The efforts of a recruitment firm Flexi Temps led to a direct meeting between Australian Airlines and the Federation. This meeting discussed the potential benefits for both the airlines and the Federation in re-employment through the mechanism of flexi-temps.

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<sup>208</sup> B. Norrington, *op cit.*, p. 151.

<sup>209</sup> AFAP Files

The Australian Airline officials took the matter back for consideration and responded to Mr O'Connell.

Geoff Pearce rang me just before Christmas and said that the Flexi Temps issue is dead just now, and that...we can't be seen to cross the Commission.<sup>210</sup>

Early in December, in response to the Commission's deadline, the Federation made its application to gain respondency to all of the airline Awards. After the application, a series of conferences began under the chairmanship of Commissioner Paine. In these conferences, the issue of re-employment was fully discussed, but agreement could not be reached. When the Federation returned to formal hearings its plea to the Commission was impassioned.

It is our clear submission that...the airline companies desire to destroy the Federation...if the Industrial Relations Commission does not today make the recommendations which the Federation seeks, the Industrial Relations Commission will itself be playing a role in the destruction of the Federation... It therefore must...make recommendations which will restore employment of pilots in an orderly fashion...Firstly, that the airline companies recognise the Federation...Secondly, that the airline companies immediately offer employment to all pilots who were employed on 23 August 1989...Thirdly, that from this date the further employment of pilots by the airlines be restricted to pilots previously employed...and that the airline companies desist from the recruitment of foreign pilots....Fourthly, that the parties commence to negotiate a set of work rules...<sup>211</sup>

This position was unacceptable to the companies and was rejected by the Commission.<sup>212</sup> The matter was then stalled in the Commission over the vital Christmas period.

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<sup>210</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No 31317, p. 3348.

<sup>211</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C. Nos 37685-7 of 1989, Melbourne, 18 December 1989, pp. 59-61.

<sup>212</sup> Ibid. p. 98.

Although the Federation continued to organise pilot meetings, information newsletters and other forms of communication, the passage of time was working against its efforts. Whereas evidence from the companies before the Victorian Supreme Court had approx 125 of the 1647 dispute pilots returned to the companies in November, Christmas tested pilot solidarity. By the New Year the AFAP had lost approximately 200 pilots to the companies and by the time of the removal of bans in March this number reached 350.<sup>213</sup>

Whilst these numbers did not make up a large percentage of the pre-existing pilot workforce, the Christmas defections were another significant blow to the Federation. When these numbers were combined with the foreign and GA pilot recruits the companies were achieving their aim of rebuilding. In the battle for numbers, the airlines held the trump cards of reduced demand for services, more efficient pilot utilisation and foreign and new pilot recruits. In the end, the airlines operated with about 900 pilots, instead of the 1460 who had resigned.<sup>214</sup>

On 15 December, the RAAF ceased public transport operations. On 31 December the international airlines ceased their carriage of domestic passengers. Government compensation, through the waiving of landing

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<sup>213</sup> B. Norrington, *op cit.*, p. 220.

<sup>214</sup> Australian Industrial Relations Commission, Decision, C No, 31317 of 1990, p. 121.

charges ended on 12 January 1990. Airline leasing of foreign aircraft and crews ceased sometime later.

## RETURN TO THE SYSTEM

On 7 March 1990, the Federation returned to the Industrial Relations Commission, gave the commitment to the guidelines, as originally sought by the Full Bench and sought the Commission's assistance with an orderly return to work. Following the Christmas set-backs in pilot numbers, reconciling the parties through the Commission became the Federation's main focus to achieve the re-employment of its airline pilot members. Capt. McCarthy outlined his hopes in an address to the international pilot group IFALPA in April 1990,

After resposdency has been determined the Federation intends to make application to the Commission to ensure that the companies offers to return to work will remain open to all Australian pilots until everyone of those pilots forced to resign has either been re-employed or rejected the offer of that employment.<sup>215</sup>

Following hearings, the Commission decided not to immediately grant resposdency and to adjourn the matter for two months in order to hear further submissions on the removal of bans, pilot applications and harassment. The Commission stated that this was testing the Federation's bona fides. The Federation responded;

Following the Industrial Relations Commission hearing on the 21 of March...we have actively advised pilots wishing to rejoin their former

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<sup>215</sup> B. McCarthy, 'Presentation to the IFALPA 45th Annual Conference', 5 April, 1990, AFAP Files.

employers to submit applications ...have counselled pilots on the need to take a pro-active part in the healing process that is required following the dispute. As you are aware, the Federation has a long history in seeking to promote and maintain high standards of professionalism and safety in the industry, and will continue to do so.<sup>216</sup>

The removal of bans and to the Federation's preparedness to make all the required commitments had little impact upon the airlines. No restoration of relationships was forthcoming. Indeed, the only company reaction was the cessation of the re-hiring from the pre-existing pilot group. Only a limited number of pilots who had remained loyal to the Federation were re-employed after the removal of bans.<sup>217</sup>

On 17 May 1990, the Commission determined that the Federation be made respondent to the airline Awards however this victory had little practical implication for the re-hiring of pilots.

## ANALYSIS OF THE DISPUTE

The Federation's predictions of the potential for an extensive conflict had become reality. Federation leaders had also predicted a combination of forces against them,

Should it reach that stage then it will be a real battle, as we will be fighting the Government, the Arbitration system, the companies and all

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<sup>216</sup> Letter from Capt. N. Holt to Capt. Wiltshire 4 April, 1990, Federation files.

<sup>217</sup> AFAP Files.

the vested interests. Pilots by being UNITED have done it before and we can do it again.<sup>218</sup>

Yet, the Federation had never before had to rely on the solidarity of its members to this extent. Despite the high degree of solidarity achieved with 1300 out of 1647 pilots remaining loyal to the Federation, their efforts were overcome by employers and government who suffered the financial pain of a short term replacement of their aircraft and the long term rebuilding of their pilot strength.

The initial confidence of the Federation's claim had been based upon membership solidarity and their past history of dispute resolution. The Federation's wish to negotiate directly with their employers, requiring an outcome without first giving a commitment to the system, was historically consistent for the Federation, little had changed from their view other than increasing external constrictions, from which they had always sought to be free. Clearly, the Federation under-estimated the strength, nature and effectiveness of the united opposition that they would encounter. In these circumstances, the level of membership solidarity was not enough to force a resolution. Ironically, the level of membership solidarity simply protracted the dispute and made it more costly for the airlines and government.

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<sup>218</sup> 'Deadline 89', Issue no 2, AFAP Files.

This was the first major airline dispute which was not resolved to some degree of satisfaction from the Federation's viewpoint. They had achieved their salary increase, or more, but with the loss of hard won terms and conditions and the jobs of most of their airline members.<sup>219</sup> The future of the AFAP was now in jeopardy and the airline pilots who had obeyed the AFAP bans were faced with unemployment or seeking work overseas.

The justification of the threat to the Accord and the government funding package, limited the impact upon other unions. The airlines, the government and the ACTU had effectively isolated the Pilots' Federation. The punitive legal actions of the employers and the cancellation of Awards in the Commission provided an example to other unions of their fate, should they stand alone outside the system. The Federation had been left technically insolvent and with its airline membership decimated.<sup>220</sup>

Whilst the themes leading to the dispute were not different, the conduct of the dispute was. Ansett stayed solidly in line with the Government and Australian Airlines. When short-lived conciliatory efforts were made, they were from Australian Airlines. This conduct gives strength to Norrington's observation,

Hawke would have taken a strong stand against the pilots regardless of Abeles. Nevertheless the longstanding relationship was an important dynamic of the dispute..It is highly doubtful..that Hawke could have

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<sup>219</sup> See Appendix IV

<sup>220</sup> The AFAP was found liable for 7.5 million dollars in damages, together with the airlines court costs.



confidently retained the same sort of hold on other notable businessmen.<sup>221</sup>

Like Ansett, the ACTU and the AIRC made no significant attempt at dispute resolution; at restoring the relationships between the parties. In the context of history this was most unusual.

Yet significant questions remain in order to fully understand this dispute and place it in the context of the history of pilot industrial relations. Firstly, why did the airlines pursue the dispute vigorously if the cost of agreement was a significant salary, which they subsequently granted to returned pilots and new recruits? As put by Capt. Brian McCarthy,

If the airlines were prepared to offer 30% why didn't they do so before causing the pilots to resign?<sup>222</sup>

The salary levels which were contained in the employers contracts and subsequently the new Awards contained salary increases at the level of the AFAP's claim or greater (see Appendix IV). The quantum of this claim, was not the only cost of agreement. Already we have considered the presentation of the salary claim, how it was to be negotiated and by whom. Other issues included the challenge that the Federation had posed to the industrial relations system and the role of the Federation in airline pilot representation. Yet, the

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<sup>221</sup> B, Norrington, *Op cit.*, p. 193-4.

<sup>222</sup> Letter from Brian McCarthy to journalists, 20 September 1989, AFAP Files.

determination of the airlines to resolve the dispute without the AFAP raises the role of other motivating factors.

Why did the airlines refuse to deal with the Federation after the union had been punished by the award cancellations, legal action etc.. or after the claim had been withdrawn? Given the commercial and financial costs to airline management, why did the cost of disagreement not force airline management back to the bargaining table?

These questions relate directly to the concepts of cost of agreement and disagreement as applied to pilot industrial relations by Blain and as developed in industrial relations theory by writers such as Chamberlain.<sup>223</sup>

The remainder of this thesis shall consider the broader environment which may have influenced the parties in their approach to the 1989 dispute and which differed from the context in which pilot industrial relations historically operated. This may help to explain the other factors which may have influenced the costs of agreement and disagreement as perceived by the parties.

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<sup>223</sup> N.W. Chamberlain, Collective Bargaining, McGraw Hill, New York, 1951.

## CHAPTER FIVE - NEO-CORPORATISM

Australia under the Accord...certainly has some elements of neo-corporatism, a system where far reaching deals are done between leaders of big government, big business and big unions...the union movement is now locked into a responsible economic line through the Accord and the power that it gives the ACTU...In the pilots dispute, the union movement has become part of the police force on patrol against industrial lawlessness.<sup>224</sup>

This quote from the political commentator, Michelle Grattan, gives a further explanation for the destructive course of the 1989 dispute. The influence of neo-corporatism was also emphasised in the analysis by G. F. Smith in the Journal of Industrial Relations.<sup>225</sup> Burgess and Sappey also considered neo-corporatism as providing a new environment which effected the basis of pilot bargaining.<sup>226</sup> The industrial relations aspects of the dispute, already highlighted, such as the parties and their bargaining, remain real. However, neo-corporatism helps to provide insight into the political context of the dispute and to explain the course of the dispute when an increase greater than 29.47% was granted. The pilots claim in 1989, was made in the context of a new political order in industrial relations and wages policy; an order which displayed a level of neo-corporatism. It was in this order that was challenged by the pilots claims and work bans in 1989.

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<sup>224</sup> Michelle Grattan in the Age, 9 September 1989.

<sup>225</sup> G. F. Smith., 'From Consensus to Coercion: the Australian Air Pilots Dispute.', Journal of Industrial Relations, Vol. 32, No. 2, June 1990.

<sup>226</sup> J. Burgess and R. Sappey., The Australian Domestic Pilots' Dispute of 1989 and Its Implications: An Interpretation. in New Zealand Journal of Industrial Relations, 1992, 17(3): 283-299.

The concept of neo-corporatism is defined by Stilman as,

the closer integration of powerful elements of capital and labor and...the marginalisation of less powerful elements<sup>227</sup>

Neo-corporatism was exhibited in the control over the centralised wages system, wages policy and wages outcomes. An analysis of neo-corporatism is essential to an understanding of the 1989 dispute.

With the election of the Hawke Labor Government and the introduction of the Accord, Australian industrial relations was marked by an unparalleled degree of consensus. The Government and the peak union body, the ACTU had agreed upon a prices and incomes Accord. The peak employer bodies also gave their support. Wages policy was thus determined by the government, in concert with the peak bodies and implemented through the Australian Industrial Relations Commission. Views about wages policy which were represented, were thus mainly those of the peak bodies, bodies whose policies were dominated by this new consensus. A new and unique era in Australian politics had begun. Only Prime Minister Whitlam had previously attempted such an agreement with the union movement, but had not succeed in its implementation.

Wages policy was not being determined by bargaining at the shop floor. The level of influence and consensus which dominated wages determination was

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<sup>227</sup> F. Stilwell, The Accord and Beyond, Pluto Press, 1986. I will use the term neo-corporatism which is appropriate when referring to sophisticated liberal democracies.

illustrated by the high correlation between ACTU submissions and National Wage decisions shown in Appendix I.

As a result of this consensus, the Government, through the National Wage Cases, implemented the wages policies it had agreed with the ACTU. The application of this policy was nationwide. The Australian Industrial Relations Commission applied its guidelines in the cases which came within its jurisdiction and State Industrial Commission rulings mirrored their approach. As a result, all those within the Award based wages system were caught up by centralised wage determination; an outcome which went well beyond the Federal Government's limited legal powers under the constitution.

The implications of this system have been examined from a number of perspectives, including salary levels, the emphasis on the social wage etc.<sup>228</sup> Neo-corporatism also raised questions of access to industrial relations policy formation, the enforcement of centrally determined policy, and the role of institutions. This approach was emphasised by Crouch who developed a concept of bargained corporatism which was based upon union co-operation and provision of restraint on the basis of other benefits, both for the unions and their members.

Unions accept periods of wage restraint, the relaxation of protective practices and similar measures, in the interests of improving efficiency;

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<sup>228</sup> J. Teicher, Unions, the ACTU and Australian Wages Policy, Monash University, 1987 and J. Hagan, in B. Ford and D. Plowman (Eds) Australian Unions: an Industrial Relations Perspective, 2nd edition, Macmillan, South Melbourne, 1989.

but on the conditions that they receive in return (i) certain other gains for their members and themselves and (ii) a share in making the economic policy of which the efficiency measures are part.<sup>229</sup>

The ACTU became the union voice in policy formation, a partner with the Government in the Accord, and a protector and defender of the Accord. The ACTU itself recognised the implications in the Accord. In 1984 it published The Way Ahead which stated,

The prices and incomes Accord has emphasised the direction of:- national rather than local negotiation; -collective rather than individual self-interest; -concern about real wages rather than money wages; - an expanded range of union activity; - social as well as economic gains; - participation and responsibility.<sup>230</sup>

The role which had been gained by the ACTU had brought with it a vested interest in the system, its processes and its responsibilities. Howard and Cox observed,

...the Accord seemed to place the ACTU in the driver's seat in industrial relations...It would be the spokesman for labor and where necessary, the enforcer for the Commission.<sup>231</sup>

This was clear from the introduction of centralised wage fixation and was accepted by the ACTU. Mr Kelty, the ACTU Secretary, commented on the no extra claims commitment required from unions,

"The ACTU has...accepted that sectional claims would need to be justified in the context of a centralised system...unions cannot have it both ways: they cannot expect the results of the centralised system without giving the necessary commitments to make the system work...the ACTU itself is the vehicle for collective responsibility...If they

<sup>229</sup> C. Crouch, The Politics of Industrial Relations, Fontana, London, 1979, p.189.

<sup>230</sup> The Australian Council of Trade Unions, The Way Ahead, 1984, p.21

<sup>231</sup> Howard and Cox., op cit., p.15.

(unions)are not committed, then they, rather than the totality of the union movement, must ultimately be accountable."<sup>232</sup>

Central wage determination was were implemented by the ACTU. Early in the Accord the Food Preservers Union made a catch-up claim for the pre-indexation period. Bill Kelty countered the claim. He stated that the claim was in conflict with central wage determination and that the Food Preservers could not accept only part of the system.<sup>233</sup>

The Australian Industrial Relations Commission also reacted to its new role under the Accord. At the introduction of centralised wage determination, the Commission signalled that it would not be part of a system of wage indexation while the parties where also able to gain additional wage increases through bargaining outside the system. The Commissions restrictions on extra claims applied to salary claims and to industrial action, whether taken in support of claims outside the system or as a mechanism to bring pressure to bear on the system itself.

"It is implicit in the undertakings given by the unions that decisions of the Commission in connection with the application of the Principles will be processed and accepted without recourse to industrial action."<sup>234</sup>

The Commission also highlighted the consequences taking this alternative path,

if any union or a group or class of its members, refuses to give the necessary commitments or indicates by its conduct that it is not prepared

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<sup>232</sup> Australian Industrial Relations Commission, National Wage Case Decision , 23 September 1983 p. 17.

<sup>233</sup> E. Davis., *op cit.*, p.64.

<sup>234</sup> Australian Industrial Relations Commission, National Wage Case Decision, April 1985 p. 19.

to work within the framework of the principles, then that union or group or class of its members should not receive any benefits from this package<sup>235</sup>

The Accord and its implementation, introduced new elements into the industrial relations environment by giving new roles and new powers to its key players.

Employer support for the Accord was not as unified as that of the union movement. Yet, in the airline industry this support was particularly strong. Australian Airlines was bound to government policy. Ansett airlines was committed to the Accord through Sir Peter Abeles personal support and relationship with the Prime Minister. Ansett's commitment was further cemented by ex-ACTU official Ian Oldmeadow in his new role at Ansett.<sup>236</sup> The Accord was of course a central reason given by airline management for their approach to the pilots claim. Peter Abeles explained,

As a very large employer our first responsibility is to work in a system.<sup>237</sup>

Ansett's General Manager, Graeme McMahon, further expanded this view in terms similar to the views already heard from the ACTU and the AIRC,

The industrial relations system of this country applies to all employee and employer groups and involves both legal rights and consequent responsibilities. No individual group from either side can claim the system's benefits without accepting its related responsibilities.<sup>238</sup>

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<sup>235</sup> Australian Industrial Relations Commission, National Wage Case Decision, August 1989 p. 17.

<sup>236</sup> See p. 86.

<sup>237</sup> A Current Affair 15 November 1989, Transcript, AFAP Files.

<sup>238</sup> Panorama, Nov/December 1989.



Despite the level of consensus, there were a number of pressures within the wages system under the Accord. By the mid-1980s, employers were not fully implementing wages restraint as illustrated by ongoing examples of executive increases and the Accord failed to sustain full indexation. The ACTU was under pressure as stronger unions wanted a chance to flex their muscles and catch up to the Executives. The ACTU's response was to seek a second tier of salary increases to allow for direct negotiations. The Commission was also feeling the pressure and commented,

We have particular concern about wages drift...the growth in managerial and executive salaries and the granting of over-award payments by employers would all have contributed...This practice is contrary to both the spirit and purpose of the wage fixation principles and encourages workers to break the commitments to the principles made by their unions on their behalf.<sup>239</sup>

The political implications of these pressures and the potential for flow on to undermine the centralised system were identified by Mr Norrington,

The Federal Government, the airlines, the ACTU and the Commission had a vested interest in ensuring that the system kept..tight control...one breakout from the wage system by a dramatically placed group of airline employees risked flow ons.<sup>240</sup>

An environment had been created in which wage disputes which did not involve the ACTU, or were not sanctioned by the ACTU, could be viewed as a real threat to the system of centralised control. These tensions were foreseen by Crouch who characterised corporatism in modern industrial relations as essentially unstable.

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<sup>239</sup> Australian Industrial Relations Commission, National Wage Case Decision, August 1989 p.9.

<sup>240</sup> B. Norrington, op cit., p.2.

Corporatism is based on organisations, but organisations that are centrally and hierarchically arranged to ensure that labor is disciplined...unions can only gain from corporatism if there are strong elements of organisational autonomy and decentralisation, liberal characteristics that contradict corporatism.<sup>241</sup>

The need for unions to respond to and be seen to satisfy their members needs without other allegiances also brought about inevitable pressure and instability.

Yet pressure for salary increases could sometimes be handled within the system This is illustrated by the Air Traffic Controllers claim in 1988, which resulted in salary increases up to 16.2%..<sup>242</sup> It is interesting that not long after the resolution of this dispute the Air Traffic Controllers Association, CAOAAA affiliated with the ACTU for the first time in its history.

As previously discussed, the AFAP too was pressured by member demands and was aware of the nature of the Accord and of likely combination of forces against claims. When they had begun to feel the pressure created by the abandonment of indexation and the compression of flat increases, they initially sought to influence the direction of government policy by letters to and meetings with Government Ministers. The result of these efforts appeared negligible.<sup>243</sup> However, the pilots made no attempt to appear before the Australian Industrial Relations Commission to influence the National Wage Case Decisions. From the pilots perspective there seemed little point. Instead

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<sup>241</sup> c. Crouch, *op cit.*, p. 176

<sup>242</sup> See p. 160. AFAP Files.

<sup>243</sup> AFAP Files.

they produced documents such as "ACTU Accord Achievements" reproduced in Appendix I, illustrating that the direction of wages policy had already been set and was simply reflected in Commission decisions.

The Federation was openly critical of the nature of the industrial relations system. Their magazine Air Pilot contained the following comments,

The August 1988 National Wage Case Decision marked another phase in the continuing compression for Award covered professionals...One of the major reasons...stems from the assumption by this Government that all employees are, or should be, members of the ACTU and therefore this organisation is the legitimate negotiating representative for all workers. This "Corporatism" concept assumes that all sectors of the community can be properly represented by a single body. This assumption is not correct.<sup>244</sup>

The Federation did not seek the assistance of the ACTU or other unions to change to wages policy but perceived the influence of the ACTU and its role in wages policy as part of the problem. Terry O'Connell explained the AFAP's frustration at the impact of neo-corporatism in industrial relations,

I think that there was...increased rigidity...was the growing...power of the ACTU, the impositions that it was making. Back in 82 we were able to reach an agreement...the over-award payment existed and there was no pressure from groups such as the ACTU to make sure that...we didn't get that increase.<sup>245</sup>

The AFAP resented the role of the ACTU in determining wage outcomes and the National Wage decisions which were supplanting their tradition approach to direct bargaining. Capt. McCarthy stated in his February 1989 Stopwork address,

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<sup>244</sup> Australian Air Pilot, Convention Issue 1988, p. 3.

<sup>245</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3157.

Now the time has come for us to make know loudly and clearly that we are tiring of this wage system into which we have no effective input...the ACTU has worked out what is fair...the ACTU and others are preparing to negotiate our professional status into obscurity.<sup>246</sup>

The industrial strength of the pilots, based upon full membership in the airlines and previous record of success in direct wages negotiations gave the pilots confidence that direct negotiation could provide them with another path. The assertion by pilot leaders of the right to negotiate, represented by an organisation of your choice, under rules defined by you and your employer without outside interference, became a catch cry of the dispute.<sup>247</sup>

In 1989, the AFAP was clearly trying to escape from the centralised control of the industrial relations system. As highlighted by Smith, Australian law did not require compliance with this system, and the pilots had the rights of freedom of association and of collective bargaining, reflected in ILO Conventions.<sup>248</sup>

Yet the pilots were trying to access these freedoms, in a public fashion and at a time when the pressures upon the system were at their highest. By the time of the 1989 National Wage Case, cracks had begun to show in the relationships between the major parties. The ACTU had become dissatisfied with the rewards of restraint, was under pressure from its affiliates and had a National

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<sup>246</sup> 'Deadline 89', issue no. 1, AFAP Files.

<sup>247</sup> AFAP Files contain media release and pamphlets which reinforced this theme.

<sup>248</sup> G.F. Smith., *op cit.*, p.246-252.

Wage Decision which did not live up to its expectations. They required five test cases to be successful before they would commit to the 1989 National Wage Case guidelines. The potential impact of a high profile union successfully breaking free of the centralised system was at its greatest.

The dispute was therefore not simply about a salary claim and the pursuit of that claim, but the Accord, the system of centralised wage determination and the maintenance of Australia's political order of neo-corporatism.

#### NO ROLE FOR THE AFAP?

Neo-corporatism did not simply interfere with the manner in which the AFAP negotiated salaries and the pattern of pilot disputation, leaving the AFAP to pursue industrial action after a period of low disputation. A further aspect of Australian neo-corporatism was control over the future of unions themselves.

In 1983, the Federal Government initiated a review of the industrial relations system which was to be known as the Hancock Report after its Chairman Professor Keith Hancock. Its recommendations, handed down in April 1985, included the removal of all specialist tribunals and deregistration of unions with less than 1000 members.

The ACTU also adopted a program of union amalgamation in line with its vision of strategic unionism as first announced in Australia Reconstructed in 1987.<sup>249</sup>

The ACTU aimed to create 20 large unions covering industries and to assist this process nominated unions as 'principle', 'significant' and 'other' within each industry based on their size.

In line with the ACTU approach and the Hancock recommendations, the Hawke Government enacted the Industrial Relations Act 1988 which had the potential to deregister unions whose membership was less than 1000 and simplified the process of union amalgamation. The fate of small unions was subject to review by the commission. For small unions, these provisions were a direct threat. The implications for the AFAP was that it could no longer expect to stand alone as a small occupational based association, but that an aviation industry union should inherit this role. As a non-ACTU affiliate the AFAP was dispensable in this new industrial order. The defeat of the AFAP in the 1989 dispute therefore provided to challenge to the ACTU's approach to industrial relations, which recognised no future for such an organisation.

#### THE DEFENCE OF NEO-CORPORATISM

A unified approach was adopted to the AFAP's 29.74% claim which was rejected as being in conflict with the wages system. There were no arguments

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<sup>249</sup> Australian Council of Trade Unions, Australia Reconstructed, 1987.

advanced by the employers about their capacity to pay or about productivity trade-offs. There was only one issue, the AFAP's commitment to the guidelines. When this was not obtained and the AFAP pursued its claim through industrial action, they became vulnerable to combined action in defence of neo-corporatism.

In the previous examples of industrial disputation, once the pilots had reached a stalemate at negotiations or undertaken industrial action, a new variable emerged to break the deadlock. Agreement with one of the companies was often achieved through the positive intervention of the ACTU or the AIRC. This dispute took a unique path because the government, Ansett, the ACTU and the Australian Industrial Relations Commission all had a direct involvement in the wages system from which the AFAP was attempting to escape. They were all committed to resisting the pilots actions, defending the wages system and rebuilding the airlines pilot work-force without the involvement of the AFAP.

The actions of the ACTU in this dispute are particularly fascinating. As discussed in Chapter 4, the ACTU's immediate reaction to the 29.47% claim was to heighten the stakes of the claim by threatening a flow on of any gains the pilots achieved. This reinforced the perception that the wages system was the primary issue when considering the pilots claim.

The Secretary, Mr Bill Kelty, was also party to early discussions with the government and the employers on the tactics to be used against the pilots. Minutes reveal that he consented to these tactics and required only that the pilots should be warned.<sup>250</sup> The ACTU had no intention of intervening in the dispute to act as a circuit-breaker.

The ACTU also took an active role in determining the course of the dispute. Agreements were reached between the ACTU, the government and the airlines which to quarantined other workers the full effects of the dispute. The avoidance of standowns of other staff the prevented the spread of the dispute and assisted in the isolation of the pilots.

Through both its action and inaction, the ACTU supported of the position of the employers and government. This was an unusual role for the peak union body, but was consistent with the role the peak union body as the power broker in and defender of the Accord. The ACTU was defending its own interests, and the existence of neo-corporatism in Australian wage determination.

Only after the damages had been awarded against the Federation, setting a precedent for other unions, did the ACTU two roles as head of the union movement and defender of the Accord come into conflict. The self-conscious

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<sup>250</sup> Federal Court, Transcript of Proceedings, No. VG 221 of 1990, Melbourne, 21 February, 1992.



ACTU took a stance against the collection of the damages and subsequently lobbied for the right to strike.

The actions of the Australian Industrial Relations Commission and the Supreme Court of Victoria also deserve attention. As we have already observed, the AIRC did not conciliate or arbitrate in a way which would either assist the return to work of the pilots or help to repair the relationships between the parties. Instead, the Commission's actions were consistent with a defence of centralised wage determination. The analysis by Smith takes this further,

A central factor in the defeat of the Federation in this dispute was the way in which labor law was used by the employers and applied by the Australian Industrial Relations Commission and the Supreme Court of Victoria. Far from standing aloof in this dispute the law and its institutions suffered all the agonies and fought all the struggles of the actors in the play.<sup>251</sup>

The Commission's initial reaction to the pilots' claim was condemnation, the requirement to cease stopwork meetings and for a commitment to the guidelines. This set the scene for the Commission's handling of the dispute, which included the punishment of the cancellation of Awards.

In the creation of the new Awards, the Commission accepted the airlines individual contracts with few amendments. The implications of this action were

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<sup>251</sup> G.F. Smith., *op cit.*, p.238.

made clear to the Commission by Mr Nicholas Blain in his submission to the Full Bench,

If the Commission does introduce an Award based essentially on the individual contracts, this would be unlikely to solve the dispute. The AFAP could be expected to resist strongly an outcome which tilted the balance of power heavily or excessively on favour of the employers. Such an outcome, if achieved could sow the seeds of pilot discontent for years to come.<sup>252</sup>

The Commission took both of these actions and did not involve itself in the process of conciliation urged by Blain.

The creation of the new Awards also had other implications. The protections of the industrial relations system were being given to the new or returned pilots rather than those who had resigned and who remained loyal to the Federation. The airlines course of re-building without the Federation was being supported by the actions of the Australian Industrial Relations Commission in making these Awards with no union respondent and failing to deal with the question of the re-employment of the pilots who had resigned.<sup>253</sup>

Smith argues that whilst the actions of the Commission were arguably in conflict with the rights of freedom of association and to collectively bargain, the Commission was acting appropriately by defending corporatism in the public interest,

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<sup>252</sup> N. Blain, 'Submission to Full Bench on the Airline Pilot's Dispute: October 6, 1989', AFAP and IRC Files.

<sup>253</sup> The final granting of resopendency and the AIRC's failure to deal with re-employment will be further discussed in Chapter 8.

As the guardian of the public interest the tribunal...was clearly acting appropriately, the alternative might have been the disintegration of national wages policy.<sup>254</sup>

Whilst this may help to explain the Commissions approach, the Commission must also be seen, as recognised by Smith, as a player in the corporatism itself and as an enforcer of this order.

The Victorian Supreme Court, when confronted with writs for damages were to proceed with the speedy hearing of the matter so that, as previously discussed, the hearings were completed and the decision issued during a critical period in the dispute. The decision, analysed by Smith, was to leave little doubt that there was no right to strike in Australia.

When the actions of the Victorian Supreme Court and the Commission are considered together Smith makes the fair conclusion that whilst the commitment to National Wage Case decisions was supposedly voluntary, the legal system effectively enforced compliance.

Australian labor law and industrial relations have become highly corporatist. Any vestiges of voluntarism or of genuinely free collective bargaining have...been extinguished.<sup>255</sup>

The role of the Labor Government in the 1989 industrial dispute was not particularly different to that envisaged by the threats of Ministers in the Whitlam

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<sup>254</sup> G.F. Smith, *op cit.*, p.247.

<sup>255</sup> *ibid.*, p 252.

Government. The Hawke Government had and took the opportunity, which had eluded their Whitlam counterparts, to enforce centralised control upon the pilots. The many actions taken by the Hawke Government during the dispute, discussed herein, were in line with the Prime Ministers warning, "You go out and its War."<sup>256</sup> They included the use of the military, the fast-tracking of foreign pilots, subsidies to the airlines etc.. The resolute support and co-operation of the government was essential to the airlines task of re-building without the federation.

There costs of this commitment were both financial and political. The government withstood a barrage of questions in parliament about the implications of the governments actions and the burden on the tax-payer, the tourism industry etc..<sup>257</sup> The cartoons overpage also illustrate the cost to the Prime Ministers personal reputation caused by the dispute. He was no longer to be know as the 'great conciliator' and his reputation suffered through his association with Sir Peter Abeles. The many and costly actions taken by the government during the dispute reflected the level of commitment to the defeat of the pilots and the defence of neo-corporatism.

The combination of these parties against the pilots was assisted by the common interest they had in the Accord and the political order of neo-

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<sup>256</sup> Herald Sun, 22 August, 1989.

<sup>257</sup> Hansard, Senate and House of Representatives.



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corporatism. The effect of their combination was that the pilot could not use their bargaining power to force negotiations. Mr Bob Hawke correctly observed that it was the combination of the parties and their actions, ensured that the dispute would not be resolved to the pilots satisfaction.

Fortunately, because of the resilience that has been shown by the airlines with the support that has been provided by the Industrial Relations Commission...the industrial dispute is over.<sup>260</sup>

The effect of the actions of the Australian Industrial Relations Commission, the government, the airlines and the ACTU was that from the time of the commencement of work limitations in pursuit of their claim, the AFAP had no meaningful role in influencing the outcome of the dispute. Mr Brad Norrington concluded,

The pilots dispute became a perfect example of the modern corporate state in action as government, big business, unions and the industrial arbitrator acted in concert.<sup>261</sup>

Neo-corporatism was both an essential stimulus to the pilots' claim and a unique environment in which an unforeseen combination of parties gathered to defeat the AFAP.

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<sup>260</sup> Hansard 30 October 1989, p. 2041-2.

<sup>261</sup> B. Norrington, *op cit.*, p. 3

## CHAPTER SIX - DEREGULATION

The US experience and the impact that it has had on all employees - reducing their conditions and wage structure - has struck a cord of fear into members hearts.<sup>262</sup>

The impending deregulation of the aviation industry provides another explanation for the 1989 salary claim, the course and the outcome of the dispute. In the period leading up to the dispute, and perhaps in the dispute itself, all parties were prepared for deregulation. The actions of the parties may have been influenced by concerns of their fortunes under this new environment. This chapter attempts to identify the extent of influence of impending deregulation on the 1989 dispute.

Aviation in Australia had long been regulated by the 'two airline policy'. This involved statutory limitations on aircraft importation, the available routes and on air fare levels. The original aims of this policy had been to foster the growth of a commercial aviation industry from its early stages of development,

Economic regulation of domestic aviation by the Commonwealth Government began in 1945 as a means of introducing stability into the fragmented civil aviation industry which existed in Australia at that time.<sup>263</sup>

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<sup>262</sup> Huntley, P. *Op.cit.*, p. 19.

<sup>263</sup> Department of Aviation, *Commonwealth Economic Regulation of Australian Domestic Aviation Industry, 1945-1985*, p. 49.



As a result the number of airline employers and their character was well known. The industry participants formed a stable community.

As discussed earlier, bargaining in this environment had taken a regular and predictable pattern of year in turn negotiations with each airline. Where difficulties were encountered with negotiations, particularly with the government, the private sector operator usually provided a resolution. The two airline policy, for good or bad, provided a stable environment for the conduct of aviation industrial relations.

However, as aviation gained through technological advances and increases in traffic levels, and became a more profitable industry, a rethinking of the policy of industry regulation occurred. This culminated in the announcement, in October 1987, by the Minister for Transport and Communications Gareth Evans, which gave three years notice of intention to deregulate the domestic airline industry. The restrictions which had prevented other operators from entering the market and had limited competition were to be removed. Minister Evans outlined the benefits of this deregulation as being,

greater incentives for existing and new participants in the industry to become more efficient and responsive to consumer needs; - a wider range of air fares, in particular an increases availability of discount fares; - growth, particularly in the price sensitive leisure travel market; and - a greater variety in the types, standards and frequency of services provided, and use of more appropriate aircraft on some routes.<sup>264</sup>

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<sup>264</sup> Domestic aviation: a New Direction for the 1990s: Statement by the Minister for Transport and Communications Senator Gareth Evans, Department of Transport and Communications, 7 October 1987.

This policy was part of the government's endeavours to reform the Australian economy, and was the outcome of numerous reports which had considered the benefits and extent of aviation deregulation.

The implications of deregulation for aviation unions were apparent from comments in Senator Evans' announcement,

there is scope for significant improvement in management and work practices in the Australian aviation industry...Among the elements of the cost structures of the Australian airlines found to be much higher than equivalent elements of cost structures of the US...were the cost of Flying Crew and general administration.<sup>265</sup>

The government was clearly intending a shift in policy and encouraged increased competitiveness and improved labor productivity.

It is not surprising that the aviation unions had opposed the deregulation of their industry. Their concerns included aviation safety and reduced terms and conditions of employment. ACTU Senior Industrial Officer Mr Les Ayres commented,

The initial reaction which might easily be categorised as defensive...is a protection of what we currently have. That initial reaction to deregulation was also, and understandably emotional. It was made against a record of union bashing in the United States that followed deregulation...wages reduced by as much as fifty per cent, hard fought conditions including pension schemes, smashed and standards of safety, engineering and service lowered.<sup>266</sup>

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<sup>265</sup> *Ibid.*, p.4.

<sup>266</sup> Ayres, L., Airline Deregulation - The Labor and Industrial Relations Implications., Text of Speech at Airline Deregulation Conference, Hilton Hotel Ballroom, Sydney 10th May, 1990, p. 5.

The AFAP had often made submissions to the studies of deregulation opposing its introduction. They cited US experience as illustrating that deregulation had few benefits and many pitfalls.<sup>267</sup>

The filing system at the AFAP contains a significant amount of material about the experiences with deregulation in the United States. Documents provided by the United States Airline Pilots Association (USALPA) revealed the introduction of 'B scale' salaries by US carriers and the slow regaining of salary parity in almost all of these areas.<sup>268</sup> Airline Pilot, the magazine of USALPA concluded in 1983,

The...destruction of labor unions is now believed to have been the basic motivation behind the whole deregulation strategy...It is plain to all that deregulation has created an unprecedented instability in the airline industry.<sup>269</sup>

Reports from USALPA of job losses, salary cuts, destructive industrial disputes, worsened industrial relations, degradation of safety and non-union workforces made the AFAP fearful, as illustrated by the quotation opening this chapter. For the AFAP deregulation was seen wholly negatively,

We are also on the verge of the new deregulated era in Australian Aviation...and we must ensure the companies know we are around and will continue to be a force...we will be subjected to commercial arguments...that new operator's pilots are paid lower and/or work harder than you. This is not a valid argument and one you must never accept.

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<sup>267</sup> AFAP Files

<sup>268</sup> United States Airline Pilots Association, 'Summary', AFAP Files.

<sup>269</sup> Airline Pilot, November, 1983.

Pilot salaries as a percentage of aircraft operating cost have never been lower and have never been significant.

AFAP was on the defence against an upcoming attack, they were not preparing for if, but when.

For the airlines deregulation also presented a great challenge - prosper or perish. They too were aware of the US experience;

The immediate aftermath of deregulation brought some lower fares but it also brought disastrous profit results for airlines. Some actually went into liquidation. Others failed to recover costs necessary to re-equip.<sup>270</sup>

Australian Airlines also had additional concerns of the restraints of government ownership and of its need for a cash injection in order to allow it to successfully compete with any fare war under deregulation.<sup>271</sup> Yet, the airlines had not totally opposed deregulation and favoured some change.<sup>272</sup>

Once upcoming deregulation was announced, the airlines focussed on their greatest challenge for many years. An environment of uncertainty had been created as Sir Peter Abeles commented in 1990,

One of the few certainties is greatly increased competition...the worst that could happen as a result of deregulation would be the collapse of one of the major airlines...In the short term the business will be high risk for all operators.<sup>273</sup>

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<sup>270</sup> Ansett Transport Industries Ltd., Submission to Independent Review of Economic Regulation of Domestic Aviation, Melbourne, July, 1985, p. 38.

<sup>271</sup> Australian National Airlines Commission (Trans Australia Airlines); Submission to the Independent Review of Economic Regulation of Domestic Aviation, August, 1985, pp. 28-9.

<sup>272</sup> Australian National Airlines Commission Submission to the Independent Review of Economic Regulation of Domestic Aviation, August 1985.

<sup>273</sup> Abeles, P., Issues Facing New Operators in a Deregulated Market Place: Effect of Economic Deregulation on the Domestic Airline Market: Coping With Change, Text of Speech at Airline Deregulation Conference, Hilton Hotel Ballroom, Sydney 10th May, 1990.

There were no longer the old guarantees and the unanswered question was how will we cope? The nature of the challenge being faced, created an environment of instability which would not have assisted the resolution of claims and disputes, such as those in 1989.

In addition, the parties may have shaped their actions in the lead up to, and resolution of the 1989 dispute to benefit with their perceived interests in the oncoming deregulated environment. Was there a perception that the claim in 1989 was the pilots last chance to gain a real increase before the threat of undercutting by a new carrier placed pressure on pilot salaries? Justice Brooking criticised the Federation as "spoiling for a fight".<sup>274</sup>

Allegations were made against the AFAP, which had advised its members to plan for a non-income period prior to the dispute, but the Federation later denied that this assumed a lengthy dispute.<sup>275</sup> Whilst Justice Brooking found that the Federation had committed the industrial tort of conspiracy to injure, he did not determine the reason for these actions; whether they were simply in pursuit of a wages claim, or were motivated by other concerns, such as deregulation. The hypothesis that the AFAP was preparing for deregulation is put by Mr Norrington, but no real evidence is produced.<sup>276</sup>

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<sup>274</sup> Victorian Supreme Court, Decision, Brooking, J., p. 77

<sup>275</sup> Australian Industrial Relations Commission, Decision, C No 31317 of 1990.

<sup>276</sup> B. Norrington, op cit., p. 3.

Did the airlines provoke pilot work bans as the opportunity to restructure their operations prior to the introduction of any new carrier? In the Supreme court case the Federation representatives tried, unsuccessfully, to prove that the airline and the companies had conspired against it. Justice Brooking stated,

In my judgement the defendants [the AFAP] have failed to prove and plan on the part of Ansett or, for that matter, any of the airlines, to provoke industrial action with a view to destroying the Federation or reducing the number of pilots employed by the airlines.<sup>277</sup>

Sir Peter Abeles later responded to Federation allegations that the airlines had pre-mediated the airline shutdown,

I...positively refute the allegation that the Prime Minister and I planned the airline shutdown'. Not only is the allegation untrue...You not only planned the airline shutdown but quite openly advised your members to prepare their finances for a long shutdown.<sup>278</sup>

It is highly unlikely that anyone foresaw the full implications of the dispute. The employers certainly believed that the dispute would be short-lived. Eric Green commented,

I initially believed the dispute, if there was to be a stoppage of work, would probably last no more than three weeks.<sup>279</sup>

Although all parties have denied the significance of oncoming deregulation in their pre-dispute motivations, this is not surprising. Reasons for the dispute, such as deregulation, became part of the legal and political debate about blame.

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<sup>277</sup> Victorian Supreme Court, Decision, Brooking, J., p. 81.

<sup>278</sup> Letter from Peter Abeles to Brian McCarthy, 6 September 1989, Federation files.

<sup>279</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 2105.

As both the airlines and the AFAP may have gained from a well executed dispute prior to deregulation, this may have had some influence on their actions, but the extent of this influence is difficult to establish.

The challenge posed by deregulation may also have been significant in shaping the course of the dispute once it had commenced. As previously discussed, when presented with work bans, the employers were unusually aggressive and steadfast in their actions. They fully seized upon the opportunity to restructure their operations.

Deregulation may have attracted the employers to take this opportunity. In the early days of the dispute, the media reported airline management comments which linked their approach with the restructuring which had occurred internationally. Ansett management commented in October 1989,

In America West, an airline in which Ansett has an interest, pilots who finish what was to be a five hour block of flying in three hours go out and load the aircraft.... Flight Attendants come off an aircraft and proceed to sell tickets.<sup>280</sup>

These work practices were unseen in Australian aviation. Mr Rupert Murdoch, whose New Corporation was a 50% owner of Ansett Airlines, commented at this same time;

I think it is important for Australia that if this country is going to live in this world it has to have decent productivity arrangements... proper incentives for people and proper obligations to deliver those efficiencies.<sup>281</sup>

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<sup>280</sup> AFAP Files.

<sup>281</sup> Australian, 11 October 1989.

The airlines certainly restructured. They rebuilt a reduced pilot workforce employed on much different employment conditions and without union representation. This course commenced with the cancellation of the airline pilot Awards, the offering of individual contracts and culminated in making these contracts into new Awards. The extensive difference between the cancelled Awards and the contracts provided the airlines with a significant benefit. Mr Ted Harris commented,

The new work practices for pilots will give the airlines very great savings.  
- half number of pilots  
- fewer unions.<sup>282</sup>

The government supported and applauded this approach by the airlines. The Minister for Industrial Relations, Morris commented,

The Industry which is being rebuilt now is a new industry, a leaner, meaner, more efficient and competitive industry.<sup>283</sup>

The Prime Minister explained that this was in the public interest,

the Government expected that improvements in airline productivity the result of a 25% cut in pilot numbers and increasing flying hours would mean lower fares.<sup>284</sup>

The Federation's reaction to this was predictable, Lawrie Cox an AFAP Industrial Officer wrote in a letter to other unions,

With aviation deregulation imminent, the Companies seized upon the opportunity presented by our salary claim to attack the Federation. The offer of individual contracts was a significant stage in this process and there is no doubt that these contracts will form the basis of all working conditions for all employees in the aviation industry.<sup>285</sup>

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<sup>282</sup> Australian, 31 January 1990.

<sup>283</sup> Age, 5 October 1989.

<sup>284</sup> Age, 14 September 1989.

<sup>285</sup> L. Cox, Letter to unions, 16 October 1989, AFAP files.



Apportioning some influence to deregulation is supported by Mr McDonald, who commented briefly;

With the advent of deregulation any industrial confrontation provided a shared motivation to weaken the bargaining power of the AFAP...Their (airlines) readiness to the on the Federation in a head to head contest was revealed...in a widely publicised comment that "We are going to crush you bastards. We are going to teach you a lesson."<sup>286</sup>

Tactical opportunities also existed. Mr McDonald explained the airlines motivation as including an awareness of the implications for other unions,

A...motivation for the airlines to co-operate (in their approach to the AFAP) was to pre-empt any attempts by other unions, which might likewise have been tempted to exploit their bargaining position as deregulation approached...the airlines gained an opportunity to maintain industrial discipline over all of the industry's unions. This freed management to concentrate on the market challenges ahead.<sup>287</sup>

It can be argued that the employers actions during the conduct of the dispute were motivated by their desire to win the dispute and to gain an advantage through removing a powerful union. Employers, even when in monopolies, have often sought greater control over work practices, greater flexibility and reduced unionism in their own right. Restructuring allowed the employers to avoid re-hiring through the AFAP. The resolution of the dispute in the terms sought by the employers was directly aligned with their interests in preparing for deregulation. Industrial relations and labor cost outcomes coincided.

Deregulatory competition transforms labor costs into a high priority factor determining the airlines' competitiveness and even survival...Most operating costs are outside the control of the airlines managements...practically the only item that remains under the direct control and can be adjusted quickly is personnel costs.<sup>288</sup>

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<sup>286</sup> J. McDonald, *op cit.*, p. 128.

<sup>287</sup> *Ibid.* p. 128.

<sup>288</sup> A. Gil, Air Transport Deregulation and its Implications for Flight Attendants, International Labor Organisation., 1990.

However, this argument fails to take into consideration the full financial costs of the dispute upon the airlines in the short term. Whilst a direct influence can be attributed to deregulation in the strategies of the employers when reacting to the pilots' work limitations, this must not be overstated. Deregulation pressures did not work alone.

## CONCLUSIONS

We have established that the environment of upcoming deregulation influenced the parties prior to the 1989 dispute, by creating an unstable climate for industrial relations and by providing an impetus which encouraged confrontation, as the parties positioned themselves to meet the challenges ahead. The course of the dispute was also influenced by benefits to be gained by the employers in restructuring their workforce. With hindsight, the costs for all parties involved in the dispute outweighed any benefits they may have sought through the 1989 dispute.

Interestingly, one of effects of the 1989 dispute was the creation of a large pool of highly trained unemployed ex-airline pilots which would assist any competitor wishing to enter the Australian Airline industry. Such pilots were subsequently recruited by Compass.

## CHAPTER SEVEN - ECONOMIC FACTORS

Tourism had become Australia's no. 1 income earner and the airline companies were enjoying record profits. There was no mention by the airline companies of any need for less pilots and in fact there were the initial signs of a natural loss of experienced airline personnel to higher paying jobs overseas.<sup>289</sup>

The economic situation of the aviation industry and the economic well being of pilots were other factors which may have influenced the environment surrounding the 1989 dispute. By establishing whether economic factors existed at the time of the dispute which were different to those which had existed in previous instances of pilot claims, the impact of economic fortunes on the dispute may be gauged.

Various authors have recognised and sought to analyse the relationship between industrial conflict and economic factors. These factors can include, the financial state of a particular employer, an industry or the economy at large and economic change and restructuring. As a result of an analysis of the incidence of strikes, Mr D.W. Oxnam concluded that,

strike activity appears to be positively associated with levels of economic activity...economic change necessitates a revision of the rules of work, a process in which a certain amount of conflict is inevitable<sup>290</sup>

<sup>289</sup> B. McCarthy, Presentation to the IFALPA 45th Annual Conference, 5 April, 1990.

<sup>290</sup> D. W. Oxnam, 'The Incidence of Strikes in Australia.' in J. E. Isaac and G. W. Ford, (Eds.) Australian Labor Relations Readings, Second Edition, South Melbourne, 1971, p. 27 -30. See also P. Bentley, 'Recent Strike Behaviour in Australia: Causes and Responses.' in G. W. Ford and J. M. Hearn, (Eds.) Australian Labor Readings, Third Edition; M. Waters, Strikes in Australia: A Sociological Analysis of Industrial Conflict, George Allen and Unwin, Sydney, 1982 and R. Hyman, Strikes, London, 1972.

It is recognised that the relationship between industrial disputation and the economy is complex and imprecise. When the economy is faring well, a particular employer may still suffer from economic pressures which may influence his approach to industrial relations. In a regulated and unionised labor market the immediate effect on employees of difficult economic circumstances is further distorted. Labor prices may remain unaffected, companies however may not survive. Employers wishing to reduce staffing levels are also obliged to make additional payments to retrenched staff and not to re-employ those same staff for a period of time in the future.

The high training costs of pilots make the impact of economic change less precise. The airlines have a cost incentive to avoid retrenchments. In 1978, when the growth rates in passenger levels decelerated and airlines deferred orders for further aircraft, Qantas employed a flexible system to cope with excess pilots. It continued to pay 50 pilots retainers while they worked overseas. Their services could then be called upon to meet future demand. A Qantas spokesman explained this policy,

It costs about \$100,000 to train a pilot and we believe the temporary retainers are more economic than introducing a costly recruiting and training programme.<sup>291</sup>

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<sup>291</sup> Age, 29 September, 1978.

The lead time in training new pilots, and the desire for a balance in experience between fresh recruits and Captains were other factors which required consideration. At other times, the junior pilots were made redundant, or those close to retirement benefited from improved retirement packages. Conversely, the high training costs also mean that in times of aviation industry growth, high pilot turnover may be very costly. This possibly exacerbates the pressure on salaries more quickly than in less resource intensive labor markets.

Employees may also be affected by economic circumstances, particularly in the initiation of claims. An employer's profits may rise leading to wage demands, or conversely, lack of wage increases may create a demand in itself separate to the employer's welfare. The impact of economic circumstances upon employees shall also be considered.

#### THE ECONOMIC PERFORMANCE OF AVIATION AND DISPUTATION

Like other industries, Australian domestic aviation has experienced booms and downturns. Poor economic times in 1971-2 led to retrenching. Newspapers in 1974 reported a dramatic turnaround in Aviation with headlines, "Airlines Hit by Severe Pilot Shortage."<sup>292</sup> In 1975 and 1976, the economic recession reduced the growth in airline passenger levels. In late 1982, both Ansett and Australian Airlines sought and achieved a reduction in pilot numbers.<sup>293</sup>

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<sup>292</sup> *Australian*, 7 May, 1974.

<sup>293</sup> *The Australian*, 24 December, 1982 reports that a shedding of 90 pilots was sought by the domestic airlines, to be achieved through voluntary redundancy.

The extent and duration of pilot industrial action, as revealed in Appendix II, shows no change in the pattern of disputation during those years of recession. Instead, a regular pattern of short and frequent wages disputation is evident up until the time of the Accord. Under the Accord, there were no stoppages on specific salary claims until 1989, a clear departure from the established bargaining pattern. As previously discussed, the AFAP's easy acceptance of centralised wage fixation was influenced by the granting of full CPI increases at a time when the pilots employers were experiencing financial hardship.

In 1983, the salary negotiations were influenced by the difficult financial times being experienced by the companies and the Federation's attention was also focussed upon the saving of jobs,

The company and the AFAP have been working harmoniously in recent months in an endeavour to spread the impact of the contraction as much as possible throughout the entire pilot group.<sup>294</sup>

However this co-incidence of interest was only to be short-lived. The Accord partners abandoned full indexation in the circumstances of a general economic downturn. With a deficit blow-out and bad balance of trade figures, Accord Mark II for the first time allowed partial indexation. From 1986, National Wage decisions provided for partial indexation and began to adopt flat dollar increases. The AFAP's growing difficulties with centralised wage fixation were

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<sup>294</sup> Captain D, Crompton, 'Newsletter to ATI Pilots', AFAP Files, 18 April, 1983.

exacerbated by the reduced level of returns being delivered by this system, in comparison with the return to growth being experienced by the aviation industry.

During 1988, domestic aviation was experiencing a boom with a significant boost to passenger numbers provided by Expo in Queensland and the Bicentenary. In accordance with international growth trends and the increase of demand in the Asian-Pacific Region, traffic levels in Australia were steadily increasing until the 1989 dispute.<sup>295</sup> On 27 January 1989 Ralph Willis, the Minister for Transport and Communications, issued a media release headed 'Record Traffic Growth for Domestic Airlines' and boasted a 9.6% increase in the number of passengers travelling and a 7% increase in cargo during the previous year.<sup>296</sup> In May 1989, newspaper headlines declared 'Quarter puts TNT on path for another year'.<sup>297</sup>

The demand for pilots was also strong. To protect itself from external head-hunting the RAAF offered its pilots a \$70,000 bonus in return for a six year retention commitment.<sup>298</sup> The optimism for future growth and the need for pilots was also reflected in the Financial Review in January, 1989,

Whilst the airlines rejoice over the recent boom in air travel, concerns are mounting about the ability of the aviation industry to meet continued

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<sup>295</sup> Civil Aviation Authority Annual Report, 1988/89.

<sup>296</sup> Hon Ralph Willis M.P. Minister for Transport and Communications, 'Media Release', 27 January 1989, AFAP files.

<sup>297</sup> *Age*, 9 May 1989.

<sup>298</sup> This bonus was paid in April 1988, AFAP Files. Media articles also point to a RAAF pilot shortage see *Sun* 1 May, 1989.

growth into the 1990s. One of the biggest problems facing the carriers is providing enough pilots to fly increased schedules.<sup>299</sup> The unpublished AFAP 1989 Salary Submission, contained in Appendix III, reflected these pressures and reveals the AFAP's perception that pilots had begun leaving Australian Airlines in pursuit of employment opportunities outside Australia.<sup>300</sup>

### WAGES DRIFT AND OTHERS INCREASES

The AFAP's attention was also focussed upon the gains being made by other professionals in a tight labor market and the heady years of the late 1980s. Their Salary Submission in Appendix III also refers to the increases being received by professionals inside and outside the wages system. These included significant increases for Judges, Federal Members of Parliament and executives.

These perceptions were not without foundation and wages pressures were causing difficulties for the government and the ACTU. The government had increasing difficulty separating itself from the problem of salary increases, especially when they occurred in Government Business Enterprises. Media attention focussed on increases for staff at OTC, which resulted in the Managing Director, George Maltby, being forced to resign.<sup>301</sup>

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<sup>299</sup> Financial Review, 18 January, 1989.

<sup>300</sup> Appendix III.

<sup>301</sup> Financial Review, 16 December 1988 and Age 23 December 1988.



The aviation industry was also involved in this controversy. In November 1988, news leaked that Qantas had made a \$15 per week over-Award payment to its Licensed Aircraft Maintenance Engineers.<sup>302</sup> Australian Airlines also hit the press as it re-advertised its senior Executive positions and increased their salaries.<sup>303</sup>

Where staff were under Awards and therefore under the jurisdiction of the Australian Industrial Relations Commission, punitive action could be taken by the Commission in areas of wage breakout. Award workers who had received increases in OTC had their \$10 per week increase cancelled by the Commission. There was no ability for the Commission to similarly penalise executives or other staff who were not employed under its Awards. As such, the government could only urge wage restraint. The Minister for Industrial Relations, Peter Morris stated,

The private sector has a role to play...sure the market is tight. The government is playing its role but we have to get through this period.<sup>304</sup>

Air Traffic Controllers were another area where these tensions became evident. In 1988, after 12 days of industrial bans, in which 5 controllers were stood down, an agreement was reached which contained increases of up to 16.2% in return for Award restructuring. This agreement was processed through the

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<sup>302</sup> Sun, 3 April 1989 and Australian, 8 March 1989.

<sup>303</sup> Sun 20 January 1989.

<sup>304</sup> Age, 27 January 1989.

AIRC as a special case.<sup>305</sup> The level of the increase was not publicised at the time, although it was well known to aviation unions. Pamela Williams a journalist for the Financial Review commented,

The labor market is so tense that any concession to a specialist group has the potential to destroy the ACTU/Federal Government Award-restructuring plans.<sup>306</sup>

For the pilots it seemed their turn next.

The economic environment thus worked in concert with the industrial relations system in providing an impetus for pilot claims. At the time of the claims, however, there was no evidence that the employers were under any financial pressure to resist these demands.

The airlines financial circumstances were not forcing a restructuring of pilot work. Pressures for restructuring came instead from the wages guidelines. In uncertain times in the national economy and the restructuring of the financial sector by the Labor Government, the Accord's character also began to change. The structural efficiency principle was adopted by the Government, the ACTU and the Australian Industrial Relations Commission as they way to restructure the Australian workforce and Australian business.

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<sup>305</sup> AFAP Files.

<sup>306</sup> Financial Review, 19 April 1989.

Such restructuring was resisted by the AFAP who argued that the structural efficiency principle did not properly apply to its members.

The principles are not appropriate to professional people.<sup>307</sup>

The structural efficiency principles were perceived as not being effectively tailored to meet the needs of pilots and their industry.

it was always in our minds that we could always achieve a better result without any pre-conditions...the negotiating teams did not believe that they [the national wage principles] had applicability...they believe that the principles were basically designed around the metal trades type structure...and they wanted to deal with the companies directly, establish their own guidelines...they had always arrived at proper agreements through dealing with the companies directly.<sup>308</sup>

The AFAP's claim in 1989 may thus have also been influenced by their rejection of this form of restructuring.

During the period prior to the 1989 dispute, the economic environment was influential upon the AFAP. This impact took the form of the airlines financial situation and the effect of the national economy on the wages guidelines. Whilst possibly the strongest economic influence was the pre-dispute prosperity and tight labor market, at no stage were these forces acting alone. The economic influences went hand in hand with the political factors which also influenced the pilots.

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<sup>307</sup> 'Press Release', 14 August, 1989, AFAP Files.

<sup>308</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990, p. 3125.

## THE DISPUTE

It may be also be argued that in the outcome of the 1989 dispute, industrial relations and economics continued to be linked. The dispute affected the economy and in turn the worsening economy enabled the airline operators to rebuild reduced services. From the end of 1989 and into 1990 Australia as a whole encountered economic recession. The levels of aviation activity experienced prior to the 1989 dispute were not surpassed until 1991/2..<sup>309</sup>

This provided a substantial tactical benefit to the airlines as the rebuilding of reduced services. A reduced service provided a simpler target to rebuild, than if the airlines had a higher demand. The economic circumstance assisted the airlines in operating with only 900 pilots in contrast to the pre-dispute levels of 1460.<sup>310</sup> AFAP's strategy of maintaining pilot solidarity to force the operators to negotiate was undermined as the operators were more easily able to rebuild with lesser pilot numbers.'

## CONCLUSION

In the context of the 1989 dispute economic factors had an influence, at no stage did they work alone or dominate the other environmental influences previously described. This reflected a relatively stable economic environment

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<sup>309</sup> Department of Transport and Communication, Annual Report, 1991-92, p. 363.

<sup>310</sup> Australian Industrial Relations Commission, Decision, C No. 31317 of 1990, p. 121.

both at the national level and the airlines/pilot level. The economic environment added to and reinforced other influences upon the parties.

## CHAPTER EIGHT - PILOT INDUSTRIAL RELATIONS POST '89

Pilots have shown a resilience over the years regardless of the circumstances to maintain their professionalism and unity...The future direction of the professional pilot in Australia is in the maintenance of the identity of the profession through the Federation regardless of the future policy direction of deregulation. A strong professional pilot body is essential to a proper Australian airline industry environment as expected by the Australian community.<sup>311</sup>

Having considered the circumstances in which the 1989 dispute arose and the extent to which it stood out from the past experiences, this chapter is an analyses of the aftermath of the 1989 dispute, the impact of the dispute on ongoing pilot industrial relations, pilot salaries and conditions into the 1990s and the ongoing changes to the wider environment which effected pilot industrial relations.

The early 1990s saw the defeat of the AFAP. Foreign pilots remained, the airlines also utilised new hires and pilots that had returned prior to the Federation's removal of bans. Very few pre-dispute pilots, who did not return prior to the removal of bans, have since gained re-employment with the airlines.<sup>312</sup>

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<sup>311</sup> Australian Air Pilot, Summer/Autumn 1990, p. 3.

<sup>312</sup> AFAP Files

During the early years of the 1990s, the AFAP remained a union with a high number of unemployed dispute pilots as its members.<sup>313</sup> Having achieved Award respondency, the Federation made attempts to regain the airline jobs which have been lost by these members during the dispute. In June 1990, the AFAP made applications to give preference of employment to the pre-existing airline pilots. In September, new logs were also served to give recruitment opportunities to pilots employed by the subsidiaries of the airlines.<sup>314</sup>

The difficulties which faced the AFAP in gaining the re-employment of the dispute pilots were partly due to the opposition from the airlines, the unwillingness of the airlines to recognise the Federation and the AFAP's lack of any bargaining power. The effects of the economic recession, combined with improved pilot productivity and utilisation meant that the airlines also needed fewer pilots.<sup>315</sup>

The Australian Industrial Relations Commission also provided little assistance for pilot re-employment. On the day before the Federation achieved Award respondency, the airlines filed a demarcation dispute seeking to exclude the Federation from the ability to represent pilots in their employ. They sought that

The AFAP shall not have the right to represent under this Act the industrial interests of persons employed as pilots by the applicants.

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<sup>313</sup> *Ibid.*

<sup>314</sup> Australian Industrial Relations Commission, *Decision*, C No. 31317 of 1990 pp. 156-9.

<sup>315</sup> Airline activity did not surpass pre-dispute levels until 1991/2. Department of Transport, *Annual Report, 1991-92* p.363.

The grounds for this application included,

by its conduct the AFAP has disentitled itself from representing the industrial interests of pilots employed or to be employed by the applicants...<sup>316</sup>

The airlines then argued that the Commission should not proceed with other matters initiated by the Federation until the outcome of the demarcation.

Whilst the Commission never formally accepted this position, the applications of the Federation were not progressed. The effect of this position was that the AFAP was unable to use the avenues of the Commission to successfully raise the issue of the re-employment of the pilots who had lost their jobs in the dispute.

As the demarcation hearings continued year after year, (at the time of writing the appeals process was still ongoing) the airlines effectively avoided any potential of a re-employment order from the Commission. As the airlines did not voluntarily recruit from the pre-existing pilot group, those pilots had little prospect of gaining employment with the airlines in Australia.

There were other effects for the Federation which went beyond the issue of re-employment. D.P. Hancock described the airlines approach,

The companies by word and deed, evinced an intense antipathy to the AFAP. They not only opposed...my decision to restore AFAP's Award

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<sup>316</sup> Application re C. no 31317 of 1990 by Ansett Transport Industries (Operations) Pty Ltd., Australian Airlines Limited, East West Airlines (Operations) Pty. Ltd. and Mayne Nickless Ltd., 14 May 1990.



responsibility but, without appealing it, went far to deprive it of its normal consequences."<sup>317</sup>

The airline companies used the demarcation action, together with the other legal cases, as a reason not to resume normal dialogue with the Federation,

In view of the current proceedings under section 118 of the Industrial Relations Act 1988 and proceedings in the Federal Court of Australia our client believes that it would be inappropriate to embark on such discussions.<sup>318</sup>

On all Award matters and employment issues, the airline companies dealt exclusively with the Australian Transport Officers Federation. The airlines sponsored the Australian Transport Officers Federation as the appropriate union for airline pilot representation. This approach was illustrated by an Ansett internal memo, on 15 May 1990, in which Mr Ian Oldmeadow stated,

As a section 118 is in process and we are dealing with our own Association it is essential the Management and Staff do not engage in any discussion with AFAP officials, representatives or members.<sup>319</sup>

The implications of the demarcation application for the AFAP were great. AFAP risked losing its responsibility to the airline Awards, its right and ability to represent airline pilots and even to effectively represent the interests of other pilot members who sought careers with the airlines. As the domestic airlines owned most of the subsidiary airlines there was a significant threat to the Federation's membership and future.

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<sup>317</sup> Australian Industrial Relations Commission, Decision, C No. 31317 of 1990, p. 187.

<sup>318</sup> Ibid., p.29

<sup>319</sup> Memo of Ansett letterhead dated 15 May 1990 signed Ian Oldmeadow, AFAP files.

## A NEW AFAP?

In the meantime, the AFAP had not remained the same organisation which had entered the dispute. Brian McCarthy did not stand for a further term as President and was succeeded by Capt. Robert Nicholson, a general aviation pilot. Although Capt. Nicholson had been the General Aviation Vice-President of the Federation in 1989, he was not directly involved in, or associated with, the 1989 dispute. His elevation reflected attempts by the Federation to be seen as putting the dispute behind them and normalising relations. Captain Nicholson commented,

I stood for election basically because I believed there was a need to bring all pilots in Australia back together to have a united organisation that was working in the interests of the pilots and I believed that I was probably the best person available in the organisation at the time to do the job...I believe coming from General Aviation...not being actually involved in the dispute I was a perfect sort of person to bring the parties back together..<sup>320</sup>

The airline Vice-Presidents also did not stand for re-election, the Federation thus produced a totally new leadership team.

The Federation was also restructured as an organisation. Its traditional structure, where representation took place through state branches, was altered to additionally provide for pilot councils or enterprise based groups with their own negotiating responsibility. Captain Nicholson described the reason behind this move,

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<sup>320</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C no. 31317 of 1990. p 2323.

They [the Executive Committee] directed...to try and form pilot councils, autonomous bodies to facilitate the entry back into the organisation of employed [airline] pilots.<sup>321</sup>

The Executive Committee also passed the following resolution,

**Whereas** the Executive Committee has been addressed by the Executive Director on s. 188 matters in the Industrial Relations Commission,

**Be it Resolved** that this Executive Committee authorises the Principle officers and staff to establish contact with the associations to explore the potential for normalising relations between all pilots.<sup>322</sup>

Despite these efforts, the Federation failed in re-establishing its presence amongst the ranks of the employed airline pilots. In the Commission the bonafides of the Federation's attempts to build bridges was continually challenged by the airlines and ATOF.<sup>323</sup>

The AFAP continued to lose ground as ATOF's recruitment efforts became more widespread. Even the supplementary airlines, which were owned by the domestic airlines, were targeted by ATOF. Captain Nicholson reported,

I have been told by people in certain supplementary airlines, that ATOF representatives have been going around and...dangling a large carrot in front of these people...guaranteeing them rights of entry into the airlines in order...that they should join ATOF and basically resign from the Federation.<sup>324</sup>

Evidence of a portrayal of AFAP membership being characterised as a disincentive to career progression was accepted by Deputy President Hancock.<sup>325</sup>

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<sup>321</sup> *Ibid.*, p. 2326.

<sup>322</sup> 'Minutes of the Executive Committee Meeting', June 1991, AFAP Files.

<sup>323</sup> Australian Industrial Relations Commission, *Transcript of Proceedings*, C no. 31317 of 1990.

<sup>324</sup> *Ibid.*, p.2336.

<sup>325</sup> Australian Industrial Relations Commission, *Decision*, C no. 31317 of 1990.

## A FUTURE PILOT UNION?

The Australian Transport Offices Federation (ATOF) was not new on the scene of airline industrial relations. In the airlines, they had traditionally covered administrative staff and no demarcation on the question of pilot coverage existed prior to the dispute. Instead, during AFAP registration proceedings, ATOF had given the AFAP a written undertaking that it had no interest in pilot coverage.<sup>326</sup>

Importantly, ATOF was an ACTU affiliate unlike the AFAP. On 30 January 1990, a meeting of airline unions had been convened by the ACTU to consider union coverage as a result of the 1989 dispute. The meeting reported to the ACTU Executive that five unions including ATOF were interested in the coverage of airline pilots.<sup>327</sup> Mr Eric Green explained ATOF's motives,

the members of the ATOF airlines division had suffered extremely badly during the pilots dispute in terms of loss of earnings..they had also indirectly to cross picket lines...The airline division...believed that they had a vested interest in ensuring that the members of the ATOF airlines division worked in a stable employment environment, one which was free of disputation caused directly or indirectly by any re-introduction of the AFAP back into the industry.<sup>328</sup>

ATOF's foray into pilot industrial relations coincided with a series of personnel swaps which included the appointment, at the end of March 1990, of Mr Eric Green as the industrial relations manager of the ATOF airlines division with

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<sup>326</sup> AFAP Files

<sup>327</sup> ACTU correspondence to the secretaries of all airline industry unions, 2 February 1990.

<sup>328</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317, p. 2045.

responsibility for pilot matters.<sup>329</sup> Eric Green had in February 1990 left his position as Human Resources Manager at East-West airlines, where part of his duties in pilot industrial relations had directly involved him in the dispute. Mr Barry Robinson, secretary of the airlines division and national vice-president of ATOF, left the union shortly after Mr Green's appointment to work with Ansett as the national personnel manager. The subsequent role of ATOF was met with allegations of conspiracy by the Federation, allegations fervently denied by Mr Green. Clearly, however, the ATOF was an unwelcome intruder in the eyes of the AFAP.<sup>330</sup>

The results of the dispute and the presence of ATOF introduced new elements into pilot industrial relations; the potential for pilots to be represented by a union in which they were a minority, and split and contested pilot representation. These last elements were immediately the most damaging. The demarcation hearings lasted four years and appeals were ongoing at the time of writing. The cost to all participants and to the taxpayer for these lengthy hearings were enormous.

In the meantime, the airline pilots themselves and their Awards were caught up in this battle. The new Awards, with limited conditions, were ripe for variation,

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<sup>329</sup> *Ibid*, Mr Green threatened legal action against anyone who suggested his move was conspiratorial.

<sup>330</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317, pp. 2170-2.

yet few such variations had been attempted at the time of writing. The efforts of all concerned were focussed on the demarcation.

The results of the dispute had undermined pilot solidarity. Due to the ongoing battle for pilot representation, no single group successfully concentrated its efforts on building the industrial solidarity of the employed pilot groups. Union membership levels were no longer at 100%, and some pilots fresh with the experience of being labelled 'scabs' had adopted an anti-union stance. All had been part of a dispute where the employer had broken a union ban, and were unlikely to consider unions bans favourably. Mr Green commented,

the pilots themselves have told us that having their fingers burned once in respect to the commission and making claims outside the system that the likelihood of them doing the same thing...is so remote.<sup>331</sup>

## A NEW INDUSTRIAL RELATIONS ACT

This lack of industrial strength also co-incident with the introduction of Enterprise Bargaining. The Industrial Relations Reform Act 1993 significantly reshaped the Federal Industrial Relations system through the introduction of Enterprise Bargaining and a reshaping of the concept of Awards as providing for minimum entitlements. Arbitration by the Australian Industrial Relations Commission became increasingly limited to the provision of these minimum standards and thus provided less intervention in the bargaining process. Under this regime, National Wage Cases, which had provided the mechanism for centralised wage

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<sup>331</sup>Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317, p. 2188.

determination, were replaced by minimum rates adjustments and lack of real wages control.

For domestic airline pilots, these changes meant that there was no easy assistance available to arbitrate changes to their much reduced Awards. There was no easy remedy to address these Awards other than via special cases or across the bargaining table.

Conversely, lessened preparedness to take strike action by airline pilots due to their recent experiences was legally redressed. Changes in the new Act introduced immunity from legal sanctions for industrial action carried out during the negotiation of an Enterprise Bargaining Agreement. Yet this did not necessarily eliminate the pilots concerns.

Also significant for the future of pilot unionism was the removal of the minimum union size provision under the Industrial Relations Act which had directly threatened the small pilot specific unions.

#### QANTAS TAKEOVER

The ascendancy of the ASU, (the successor to ATOF after union amalgamations) and the extent of pilot disunity started to change in 1992. This

change was precipitated by the 2 June 1992 sale of Australian Airlines to Qantas and took place under the changing industrial relations environment.

With Qantas as the senior partner, the Qantas identity and Qantas industrial relations practices prevailed. Significantly, Qantas management broke the united employer approach to domestic pilot issues which had been in existence since the 1989 dispute. Qantas withdrew its support for the ASU as the appropriate pilot union and instead made a new application to the Commission under s. 118 for the Australian International Pilots Association to gain coverage of Qantas domestic (ie. Australian Airlines) pilots.

D.P. Hancock allowed this application to be amended. A new application from the ASU for coverage of Qantas domestic pilots was also joined with the main s. 118 case. The new ASU application allowed this organisation to remain an option for Qantas domestic pilot coverage as the previous applications had only been made by the airlines. Despite these technical issues, the basis of the demarcation case had now fundamentally changed. A new stance by one of the two employers and the involvement of another union could not be ignored.

On 22 September 1994, D.P. Hancock handed down his decision on the s.118 applications. This decision gave the representational rights for Qantas domestic pilots to the Australian International Pilots Association and stated;



There is a possibility that pilots in Ansett, East-West and Ipec would be better represented by AIPA than either the AFAP or the ASU. Given my reluctance to pre-empt that possibility, I propose to relist the matter...<sup>332</sup>

The decision was in line with the amended application by Qantas but came as a blow to Ansett and the ASU. Both subsequently appealed.

As a result of this decision, AIPA entered into discussions with the Ansett pilot leaders and assisted the Ansett pilots with advice and information when a B747 aircraft landed without its nose wheel in extended position. A later vote of Ansett pilots, conducted in December 1994, substantially rejected the ASU in favour of AIPA. Of the 521 returns, AIPA received 495 votes, ASU 8 votes and 18 votes were informal.<sup>333</sup>

Ansett management subsequently decided to accept AIPA's representation and signalled their approval by withdrawing their appeal to Hancock's decision. ASU remained alone in its appeals and without employer support. In effect, the issue of pilot representation was all but decided.

#### THE AUSTRALIAN INTERNATIONAL PILOTS ASSOCIATION

So who was the AIPA? The Australian and International Pilots Association was made up of Qantas pilots who had split en masse from the AFAP in the early 1980s. Internal politics had been the reason for the split. Its background is

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<sup>332</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317, p. 293.

<sup>333</sup> Ansett Airlines Pilots Association Newsletter, 6 January, 1995. AFAP Files.

described by Dr Blain in Industrial Relations in the Air.<sup>334</sup> However, as time had past, the relationship between the AIPA and the AFAP had been restored. Indeed, AIPA intervened in the early days of the s.118 hearings to support the AFAP's claims of competence in pilot representation.<sup>335</sup>

AIPA had managed to avoid being drawn into the 1989 dispute even though it had its own salary claims at the time.<sup>336</sup> However, AIPA leaders had co-operated with the AFAP to ensure that Qantas aircraft were not used to replace domestic flights unless specific approval was given. AIPA thus survived the 1989 dispute with its industry and union relationships, and its Award, in place. Due to the changes in the Industrial Relations Act, AIPA was no longer threatened by the minimum union size provisions. AIPA thus presented a credible alternative for effective pilot unionism into the future.

Interestingly, AFAP leaders did not immediately appeal the s.118 decision. This was remarkable as the implementation of the decision would have significantly undermined the future of the Federation. Whilst this may reflected some resignation as to the future of the AFAP, with its liabilities for damages to the airlines, it must also have reflected a significant degree of confidence in AIPA. An appeal was finally lodged in mid -1995 and it remains unclear whether this

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<sup>334</sup> Blain, N., op cit., p. 106-12.

<sup>335</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C No. 31317 of 1990.

<sup>336</sup> This claim was resolved giving AIPA pilots up to 17% increases. AFAP Files.

was a response to the ASU's decision to continue the fight on, once it had lost airline support or a souring in the relationship with AIPA.

At the time of writing, the ASU continued to appeal the section 118 decision. However, with few pilot members remaining and no employer support, the future of pilot unionism increasingly seems a matter to be determined between the AIPA and the AFAP. Such a resolution could not be avoided, as the AFAP retains Award responsibility and the membership of the supplementary airline pilots, including those carriers who are Qantas subsidiaries. It therefore seems likely that the divisions that have characterised pilot unionism since 1989 may slowly be resolved.

## THE AIRLINES

As previously mentioned the airlines underwent many changes in the aftermath of the 1989 dispute. Large financial losses had been sustained. This included the hiring of foreign aircraft, the recruitment of foreign pilots, expensive litigation, loss of revenue, maintenance cost of unused equipment, ongoing commitments to other staff etc... Relatively early in the re-hiring process, the Supreme Court awarded 7.5 million dollars to the airlines for damages. However, as discussed, due to pressure from the ACTU these monies were never collected. The true financial costs to the airlines of the dispute and its ramifications would have significantly exceeded this figure.

The combination of these losses with the duration of the dispute and the length of the re-building process, led the airlines into a period of change and instability.

Neither Ansett or Australian airlines survived this period in the same form.

Qantas takeover of Australian Airlines, and the combined company was privatised with part sold to British Airways and facing a public sale of the remaining shares. No longer was there a government-owned carrier in Australian domestic aviation. The traditional balance between the major domestic airlines, one private and one government owned carrier, was thus fundamentally changed.

Ansett commenced its international flights in 1994, but its future has been uncertain with much media speculation about the sale of the airline. Ansett has also experienced continual management changes. Sir Peter Abeles departed in 1994 and Len Coysh in 1995, followed by a succession of others.

At the time of writing, few individuals remained at the same posts in airline management that they had held during the dispute. For both airlines, the period post-1989 has been characterised by ongoing change and instability. Yet this change was dominated by the ramifications of the dispute, both personal and financial, rather than preparations for deregulation.

In pilot industrial relations the airlines had certainly achieved many benefits from the dispute. As previously discussed, the conditions under the new Awards in 1989 had only received little variation since 1989 and have not been significantly improved. The regulatory limitations to a pilots hours of work were also reduced in 1990, giving the operators greater utilisation of their pilots and pilots less protection of their rest and lifestyle.

A comparison of present conditions with pre-dispute conditions thus leaves those pilots now employed by the airlines with many improvements to pursue. Dr Blain commented that these conditions may have a long term effects,

If the Commission does introduce an Award based essentially on the individual contracts, this would be unlikely to solve the dispute.. an outcome which tilted the balance of power heavily or excessively in favour of the employers. Such an outcome, if achieved, could sow the seeds of pilot discontent for years to come.<sup>337</sup>

An obvious disparity also exists between Qantas' international and domestic (ex-Australian Airlines) pilots wages and conditions. All these create pressure on the ongoing pilot bargaining.

In this context, pilot groups will have to contend with ongoing enterprise bargaining should they not wish to see their salaries reduced significantly in real terms. The Qantas domestic pilots have already found this road tough. In their 1995 Enterprise Bargaining agreement they introduced a B scale salary for new

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<sup>337</sup> N. Blain, 'Submission to Full Bench on the Airline Pilot's Dispute: October 6 1989', AFAP and IRC files.

First Officers in order to achieve a salary increase which had been gained many months earlier for other staff by the ACTU without significant trade-offs..<sup>338</sup> The contrast between Qantas domestic and international Awards, together with the weak bargaining position of the domestic pilots is thus likely to provide instability in negotiations for a period yet to come.

However, the airlines had not achieved the benefits in preparing for deregulation that a quick and clean defeat of the Federation would have offered. The results of the re-structured pilot work-force were mixed. Whilst fewer pilot were rehired, conditions were reduced and the airlines achieved other benefits in pilot industrial relations, there were also many negative consequences for the airlines. The challenges and costs in training and combining pilots from all around the world, from general aviation and returned pilots, into an effectively functioning workforce with consistent standards, must not be understated.

The potential benefits of a quick clean dispute also included an example to other unions which would have transformed airline/union relations generally and produced productivity gains in the employment and utilisation of pilots, flight attendants and others. Yet the dispute was too lengthy and costly for all

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<sup>338</sup> Enterprise Agreement - Qantas Airways Limited and Short Haul Pilots (Respondents to the Australian Airline Pilots Award 1989). AFAP Files.

concerned, and provided no good examples. There were no easily achieved flow on productivity gains from other staff.

In the post-dispute period, with enterprise bargaining and a less unionised and cohesive pilot group the fundamental shift in pilot bargaining might have also effected other staff. The occupation-specific negotiations which had characterised pilot industrial relations in the earlier period may have been substituted for enterprise based, or divisional, industrial relations. The airlines were keen to introduce team work and to break down the occupational barriers.

Sir Peter Abeles commented:

I hope that in the future our pilots will be complete team members of the total Ansett team and won't be a group in isolation...I regard them as exactly the same human beings as all other employees and as part and parcel of a team...this is the single moment when we can break all this down and make the company into one team.<sup>339</sup>

Yet as we observed earlier, pilot specific enterprise bargaining had re-emerged. This reflected the reality that full ASU representation had not succeeded and that pilots were not otherwise ACTU affiliated. The ASU therefore did not provide a bridge where pilot and other staff conditions effected each other.

The nature of airline unionism was also significant in ensuring that one union, or the ACTU itself, could not be a single bargaining vehicle. Enterprise Bargaining

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<sup>339</sup> On Course: the Ansett Flight Deck Newspaper, Issue 1, April 1990, p.3.

Agreements which were struck with Ansett and Qantas bound all staff, except pilots, but only in so far as other unions were not prevented from bargaining additional agreements with the airlines. These unions continued their traditional patterns of representation.

## CONCLUSIONS

The 1989 dispute was devastating in the lives of individuals, has reduced the size and scope of the activities of the AFAP and the domestic pilot work practices have fundamentally changed. Yet pilot unionism itself and pilot-specific representation have survived.

Some of the reasons for this survival, which have been considered in this discussion are; the failure of the ASU to gain full and effective representation of pilots, the failure of government legislation and airline management to be able to change the nature of unionism by limiting the number of unions and the occupation nature of their coverage, the need of pilots for representation as illustrate by the Ansett nose wheel incident.

Had the ACTU agenda of one effective mega-union per industry been successful, then pilot unionism post -1989 would have had a drastically altered form. Yet the power of the established unions in the airline industry had proved too great an obstacle.



Given the opportunity, the re-development of pilot-specific unionism is not surprising. The vehicle of AIPA, unaffected by the dispute, and its introduction into the domestic airline arena provided a ready organisational base. Pilots were also more quickly able to take advantage of AIPA's involvement, given the impact of external circumstances such as the Qantas takeover and the demarcation decision. These developments also reflected the pilots' historically based expectations of the nature of their union. This also allowed the natural tendencies towards an occupational community described in Chapter 1 to re-emerge.

Yet this chapter also points to a loss of solidarity and militancy by domestic airline pilots which reflected their recent experiences. With the introduction of significant payments for additional work over 55 hours per month and the removal of many of the pre-existing employment conditions, the domestic pilot group more reliant upon airline management than upon their union representatives for their immediate welfare.

Fundamental changes had certainly occurred in the nature of domestic pilot unionism which were central to industrial strength. Yet in the longer term pressures upon pilot terms and conditions of employment could lead to the re-emergence of a more militant unionism.

One factor which underlies all these conclusions is the nature of power and its distribution, within the pre-existing unions structures and between the employers, employees and the government. Whilst there were many other factors that have included the development of pilot industrial relations post-1989, the distribution of power has been and will continue to be fundamental. Pilot unionism has not been removed from this equation.

## CHAPTER NINE - CONCLUSIONS

Despite its ferocity and uniqueness, the 1989 industrial dispute between the pilots and the airlines was not a short-term aberration. A specific combination of influences occurred which affected the airlines and the pilots, which included;

- changed bargaining patterns,
- the involvement of new individuals in the bargaining process,
- the impact of the Accord,
- the building of tensions in pilot industrial relations,
- the neo-corporatism exhibited by the industrial relations system,
- the impact of imminent deregulation,
- the impact of economic fortunes,
- the role of Ansett airlines, the ACTU and the AIRC and many more...

Changed relationships and an altered environment led to a series of events which over time culminated in the 1989 dispute. The pressures upon the pilots and the airlines, the influence of external factors were significant. The explanations for the dispute went well beyond the 24.47% salary claim.

A lengthy build-up to the 1989 industrial dispute was discovered. Some of the factors which lead to the dispute, such as the history of direct negotiations, were well-known. However, the parties had opportunities to diffuse the building tensions that were not taken. This gives greater importance to the influence of neo-corporatism and deregulation as providing an attraction towards confrontation.

The dispute was different from what had gone before, in its events, its failure to be quickly resolved, the combination of parties against the pilots claim and in the vigour and steadfastness with which the airlines and the government pursued their goals.

It may be argued that the circumstances of the dispute were unique and unlikely to again be encountered. Yet this does not provide a legitimisation for the parties failure to heed the signs of a changed environment and thus to avoid their consequences. Nor does it imply that in other circumstances pilot industrial action could be unsuccessful in obtaining pilot aims.

#### A MODEL

The inability of the parties to deal effectively with the circumstances they faced in 1989 and the unquestioned assumption by the AFAP and others of pilot industrial dominance, raises the question of whether a new analytical approach to pilot industrial relations is required.

Dr Blain's model of pilot industrial relations was focussed upon explaining the pilots relationship with the system of conciliation and arbitration. This involved the following factors:<sup>340</sup>

- Pilots' unions' experience with conciliation and arbitration system,
- Pilots' unions' bargaining power vis-a-vis the airlines

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<sup>340</sup> N. Blain, *op. cit.*, p. 147

- Membership solidarity and leadership of pilots' unions
- Market factors: structure of domestic and International airline markets, and airlines' cost of disagreement compared to agreement with pilots' claims
- Pilots' underlying technological stranglehold

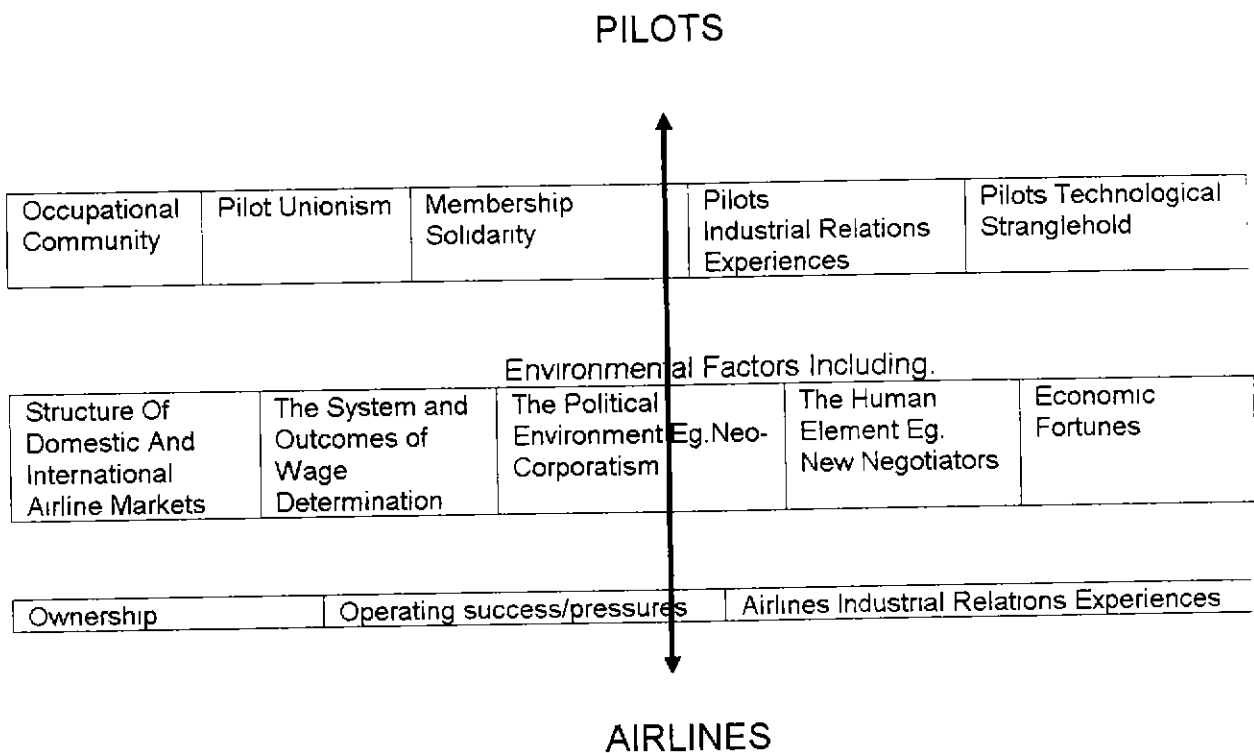
Whilst many of Blain's observations have been pertinent and remain relevant, this thesis has highlighted a complex variety of factors; beyond those specified in Blain's model. Whilst Blain refers to bargaining power and the cost of agreement and disagreement, his model does not sufficiently explore the factors which contribute to these; probably due to his over-reliance on the pilots "technological stranglehold." This does not undermine the theoretical framework of systems analysis adopted by Blain. Instead, it illustrates the difficulty in applying the broad parameters of Dunlop's analytical approach to particular circumstances.

The importance of developing these concepts in their fullness has been explored in industrial relations theory. Chamberlain has highlighted the limitations of approaches of early theorists in adopting a narrow approach to the cost of agreement and disagreement. Instead, he emphasised the importance of taking a broader approach, inclusive of the total situation and all factors such as the economic and political circumstances.<sup>341</sup> This is consistent with the Dunlop model and reinforces the difficulties confronted by all analysts in gaining freedom from the preconceptions of their times.

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<sup>341</sup> N. W. Chamberlain, *op cit.*, especially p. 221.

A new model of pilot industrial relations is proposed in order to reframe the many factors which have been discovered. Drawing on systems analysis, some aspects of Blain's model, and the observations thus far; these include the nature of pilot unionism, of the airlines and the environmental context. The following model is proposed;



This attempt to describe the industrial relationship between pilots and their employers does not attribute levels of importance to any elements. Whilst certain elements may have been influential in the recent history of pilot industrial relations, in other circumstances other aspects may gain greater importance. All elements in this model are critical to fully understanding the nature of the industrial relationship at any point in time.

This thesis has considered the 1989 dispute in the light of the recent history of pilot industrial relations and the factors outlined in this model.

A new pattern of pilot bargaining can now be expected to re-emerge. This pattern will reflect some traditional elements of pilot-specific unionism and of the innate industrial power held by pilots through the "technological stranglehold". Yet the nature of pilot unionism and, for some time at least, pilot unity have been changed. The experience of the 1989 dispute and its lessons will have a profound impact on pilot industrial relations, bargaining and disputation in the future.

It is hoped that a model of analysis such as that proposed above may assist the parties to pilot industrial relations in the future to understand of the implications of and the elements which make up the situations in which they find themselves.

## APPENDIX I - ACTU ACCORD ACHIEVEMENTS<sup>342</sup>

<u>DATE</u>	<u>DECISION</u>	<u>ACTU</u>
Sept 1983	4.3% full CPI.	immediate CPI, 9.1% national catch up.
April 1984	4.1% full CPI, will only look at three anomalies.	4.1% full CPI, inclusion of overaward via anomalies.
April 1985	2.6%, allowances under anomalies principle.	2.7%, allowances under anomalies principle.
Nov 1985	3.8%, effective date 4/11/85.	3.8% + 4% productivity, effective date 6/10/85.
June 1986	2.3%	2.5% + 4% productivity or 3% super.
Dec 1986	conference	6.7% + super
March 1987	) ) \$10 p.w. + 4% ) productivity + ) 3% super.	modified by 2 tier approach.
Feb 1988	\$6p.w., effective 5/2/88.	\$7p.w.
Aug 1988	3% + \$10 not prior to 1/9/88 and six months apart.	3% from 1/7/88 + 3% from 1/12/88.
Aug 1989	\$10p.w. or \$15p.w. or 3% + same.	\$10p.w. or \$15 or 3% + same.
April 1991	2.5% from 16/4/91	\$12p.w. from 16/5/91 + ent barg + 3% super.
Oct 1991	Enterprise bargaining	

<sup>342</sup> Unpublished document reproduced from AFAP Files.



## APPENDIX II - INDUSTRIAL ACTION BY THE A.F.A.P. 1957 - 1991<sup>343</sup>

1966 <u>Qantas</u> November 24th	27 day stoppage
1967 <u>T.A.A. &amp; Ansett</u> October	limit on flying to 65 hours per month
1968 <u>T.A.A.</u> March 1st	DC9 not flown for six weeks - three crew dispute
1969 <u>Qantas</u> November	1 day stoppage re instant Captains
<u>T.A.A. &amp; Ansett</u> December 12th	1 day stoppage - contract renewal
1972 <u>T.A.A. &amp; A.T.I.</u> December 7 & 8,	2 days - contract renewal
1973 <u>T.A.A.</u> November 15th	four hour stoppage re Captain Denheld
November 23rd	18 hour stoppage followed by 7 day lock out
1974 <u>T.A.A. &amp; A.T.I.</u> November 21-24-	4 days - contract renewal
1976 - <u>Ansett Airlines of Australia</u> August 28th	five hours - integration
<u>Ansett Airlines of Australia &amp; T.A.A.</u>	September 27th October 2nd Overfly of Alice Springs
1977 <u>A.T.I.</u> June 23-24 -	2 day stoppage - contract renewal
<u>M.M.A.</u> July 27th	1 day stoppage re integration
<u>Airlines of N.S.W.</u> July 29th	1 day re integration
<u>Airlines of S.A.</u> August 1st	1 day re integration
<u>Airlines of N.S.W. &amp; M.M.A.</u> October 17th	1 day re integration
<u>M.M.A., Airlines of N.S.W. &amp; Airlines of S.A.</u>	October 17th -December 9th Work to Rules
1978 <u>T.A.A.</u> April 28th - May 1st	4 days - contract renewal
1981 <u>T.A.A.</u> April 24th	selective standdown
1982 <u>A.T.I.</u> January 4-6	stopwork meetings re grievances with the Company
1983 <u>All Pilots</u> October 4th	2 day stoppage re superannuation
1986 <u>A.T.I., T.A.A. &amp; East-West Pilots</u> July 9th	stopwork meeting re superannuation
<u>All T.A.A. Pilots</u> June 17th	stopwork meetings re Y days, superannuation and taxation of allowances
1989 <u>All Airlines</u> February 20th	1 day stopwork re salaries
<u>Ansett A320 Pilots</u> January 10-20	no flight operations on A320
<u>All Airlines</u> August 11-14	stopwork meetings re salaries
August 24th 1989 RESIGNATIONS	

<sup>343</sup> Abridged version of an unpublished AFAP document, AFAP files.

### APPENDIX III - AUSTRALIAN FEDERATION OF AIR PILOTS SALARY SUBMISSION<sup>344</sup>

This submission substantiates the Australian Federation of Air Pilots' claim for re-evaluation of pilots salaries. The Federation's submission is based around the decision of the Conciliation and Arbitration Commission in 1954 in which Kirby, Morgan and Dunphy J., found that pilots should be considered as unique.

"We have already said sufficient to indicate that the profession of an air pilots is 'sui generis'. It is claimed by the Association, and there is much to support the claim, that there is no profession or occupation in Australia to which an air pilot's position as far as skill, responsibility and other features which bear upon the fixation of a proper salary can be compared with any precision."

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Further, we contend that it is in the public interest that the full merits of the pilots case for re-evaluation be fully examined to assist in the early settlement of this dispute.

The details of the pilots case are unique in the following respects:-

- 1) The particular nature of the work and the pre-existing requirements for Award flexibility.
- 2) The history of the relationship between the professional pilot group and wage fixation.
- 3) Impact on pilots salaries of wage compression and the need for suitable relativities.
- 4) Aviation industry growth and international pilot shortages.
- 5) Changes to skill requirements, work environment and pilot work value...

#### HOW SHOULD AN APPROPRIATE SALARY BE MEASURED?

In the past the Federation has argued that an international comparison of pilots salaries should be used for determining appropriate wage levels. This seems increasingly relevant given the Industrial Relations Commission's concern with international competitiveness.

For example:- Cathay Pacific Salaries starting from \$100,000 as an F/O, excluding bonus/profit sharing, an additional hourly pay.

<sup>344</sup> Unpublished document reproduced from AFAP Files.

With an international shortage of air pilots impacting in Australia our wages system is under pressure to provide flexibility to allow Australian companies to pay competitive rates. Our employers in seeking other solutions are looking to invest in an aerospace flying college to train pilots which will be built by Ansett Airlines and British Aerospace at a cost of \$40 million....

In Australia today extensive recruitment by international airlines occurs through all sectors of our aviation industry.

Australian Airlines: approximately half of all pilot resignations in 1988 were from those leaving for jobs overseas.

Ansett: in the year January 1988 - present, 23 pilots left to work overseas, 18 of these were in the financial year 1988-89.

How many more have now decided to go?....

#### TODAYS COMPARISONS

The groups in society traditionally used for comparison with pilot remuneration have received substantial increases over the last three years.

#### Groups within the wages system

	Operative Date	Operative Date	Percentage Increase
Pilots 82hrs AAL 727 C12	5/85 \$77,472	3/89 \$87,822	13.4%
Engineer Class 5 Max Salary	9/85 \$42,832	4/89 \$50,089	16.9%
ASO8 Max. (3rd Div. Class 11)	5/85 \$32,918	4/89 \$46,370	16.2%
SES Level I (Second Div.)	5/85	4/89	15.7% +
SES Level I Car	-	car	10-15%
SES Level 6 (Second Div.)	5/85 \$68,460	4/89 \$78,521	14.9% +
SES Level 6 Car	-	car	10-15%
Judges (Federal Court)	5/85 \$88,971	3/89 \$118,858	33.4%

Judges (Allowances)	\$4,345	\$5,419	24.7%
MPs	5/85	1/89	28.2%
	\$42,889	\$55,000	
MPs (Minister's Expense of Office)	5/85	1/89	32.4%
	\$9,067	\$12,002	
MPs	5/85	1/89	
Electorate Allow.)	\$15,869	\$21,005	32.4%
	\$23,010	\$30,458	32.4%

### Professionals Outside the Wages System

#### - Engineers

A survey of 7,000 A.P.E.A. members shows that there has been an average salary rise of 17.6% for an estimated 50,000 engineers in private enterprise. (Sunday Telegraph 3.8.89)

#### - Executives

Australia Post executive increases reported greater than 50% plus car through "management restructure".

National Mutual Senior Executive increases greater than 80%

OTC Executives increases of up to 20%

#### Overall for Senior Executives:

Year Ending	Average Weekly Earnings	Senior Executive % increases
12/85	6.3%	10.2%
12/86	7.6%	12.6%
12/87	6.7%	11.9%

(Cullen Egan & Dell Pty Ltd)

Paul Rigg, director of remuneration consultants Towers Perrin comments that mid-to-senior executive pay levels have been rising by 11-12% on average for the past three years.

According to surveys undertaken by P.A. Consulting Group, the remuneration of senior executives in Australia between April, 1988 and March, 1989 has increased by 8.8% of their basis salary.

During this same period, increases through the National Wage Case were 3% and \$10pw.

The following is a brief list of significant changes in airways/aircraft procedures and workload which need to be considered in detail.

Significant Changes or New Procedures/Skills

1. Changes to airports
2. Crew complement
3. Hijacking procedures
4. Extended range operations
5. Changes & limitations to air traffic system
6. Aircrew team management
7. Changes to licence renewals
8. Overseas operations increase
9. Computer usage
10. Computer generated load sheets
11. Computer generated flight plans
12. Introduction/use of ACARS 767/737/A320
13. Category 1 approaches
14. Increased cross wind limitations
15. Reference ground speed operations
16. Increased minimum equipment lists & usage
17. Use of electronic devices
18. Ramp safety during electrical storms
19. Refuelling with passengers on board
20. Monitoring errors 737/767/A320 New data base
21. Smoking limitations on aircraft
22. IRS has replaced Omega on 767/737
23. Introduction of Pan Ops
24. Currency of CAA documents
25. Control system
26. Simultaneous runway operations
27. Changes to customs/quarantine procedures
28. Changes to simulator usage
29. Operation on to 30 metre runways 737
30. Increased trip duration
31. Windshear reporting
32. Dangerous cargo

This list simply illustrates the extensive inquiry into pilot workload which needs to be undertaken. Details of these changes as well as altered pilot relativities must be considered before a current and well reasoned salary level for pilots can be determined.

## APPENDIX IV - PILOT SALARIES AND THE NEW AWARDS

The new Awards created by the Commission were vastly different from the pre-existing airline pilot Awards. They contained significant salary increases and reductions in relation to terms and conditions. These changes are outlined in this Appendix.

The salaries contained in the new Awards had a base of 55 stick hours work each month, with a productivity payment applying to each additional hour worked beyond the 55.

### THE CALCULATION

The salary attached to the minimum of 55 hours was derived from the pre-existing paid rates. The airlines representative explained to the AIRC that the new Awards rates were derived from standard pay rates under the pre-existing agreement (ie 85 hrs per month) together with regular salary related allowances. The companies also added an additional payment for 'O-Days' of 6 hrs per month. This then gave the new base salary of 55 hrs to which the 3% National Wage increase was then applied.<sup>345</sup>

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<sup>345</sup> Australian Industrial Relations Commission, Transcript of Proceedings, C Nos. 36152, 36154, 36155 and 36157 of 1989, 2 October, 1989. See also the Report to the Full Bench in the same matters, 4 October, 1989.

## ANSETT AIRLINES SENIOR CAPTAIN (YEAR 12) SALARY - B727

PRE-DISPUTE STANDARD PAY- 85 HOURS	\$ 90869
+ ALLOWANCES	\$ 4922
+ 'O DAY'	\$ 5145
SUB-TOTAL	\$100936
+ 3% (NEW 55 HOUR FIGURE)	\$103964 <sup>346</sup>
THE SALARY INCREASE	

The first real salary gain came about during this calculation through the inclusion of the payment for 'O- Days' This term referred to an additional day which was available to Ansett pilots, under their pre-dispute Award, if they chose to work this day. Such work was not compulsory and payment was not received if the additional work had not been undertaken. Australian Airlines pilots did not have this concept in their pre-dispute Award. However, the new 55 hour base salary for all pilots contained an increase of approximately 5.6% for 'O-Days', regardless of whether it was worked or even if it was a prior entitlement.

The additional productivity component also provided a salary increase. Productivity payments in the new Awards applied for each additional stick hour flow each month beyond 55 stick hours. The amount was calculated by providing an addition hourly rate of 1/660 of the annual salary for each of these additional hours. The following figures represent salaries which could be earned under the December 1989 Ansett Award.

<sup>346</sup> Ibid. and the Ansett Airlines of Australia (pilots) Award 1989 Pnnt J0004

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 ANSETT AIRLINES SENIOR CAPTAIN (YEAR 12) SALARY - B727

55 HOUR FIGURE     \$103964

 75 HOUR FIGURE     \$138,618  
                               *(25% above 55 hours, 41% above pre-dispute standard pay)*

 82 HOUR FIGURE     \$150,432 347  
                               *(44% above 55 hours, 53% above pre-dispute standard pay)*

The greater the number of hours flown, the higher the level of increase above the newly constructed base salary of 55 stick hours. As regulations limit pilots to flying 900 hours per annum, the figures of 82 hours per month illustrate the maximum amount which could be earned per month. Due to the low pilot numbers in late 1989 one could expect that the pilot employed by the airlines during this period to be flying the maximum allowable hours and earning this higher salary level.

The salary based upon 75 stick hours per month represents a conservative assessment of the normal salary levels under the new Awards at the time they were formed. Later, Enterprise Agreements refer to an optimum amount of flying as being 75 hours per month, with the potential for redundancies if the flying was to fall below this level.<sup>348</sup>

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<sup>347</sup> *ibid* Note the level of increases was similar across aircraft types and the B727 is a typical example.

<sup>348</sup> AFAP files. Also note: Ansett and Qantas domestic salaries have been identical for each aircraft type since 1989.



For clarity, the extent of the 1989 salary increases have also be presented graphically. The first of these graphs (overpage) plots 75 hours, under the applicable salary formula, against time. The usage of a constant number of hours is one method of obtaining a consistent comparison. This also encompasses the post-dispute productivity formula, as the December 1989 figure represents 75 hours using the 55 hours based and productivity formula.

However, this approach probably magnifies the level of the salary increase achieved in 1989. Prior to the dispute, concepts such as standard pay ensured that pilot were actually earning greater than 75 hours pay. For comparison, the second graph (over page) plots Standard Pay and the new 55 stick hours base salary. This is the most conservative representation of the salary increase achieved, as the new salary contains no productivity component.<sup>349</sup>

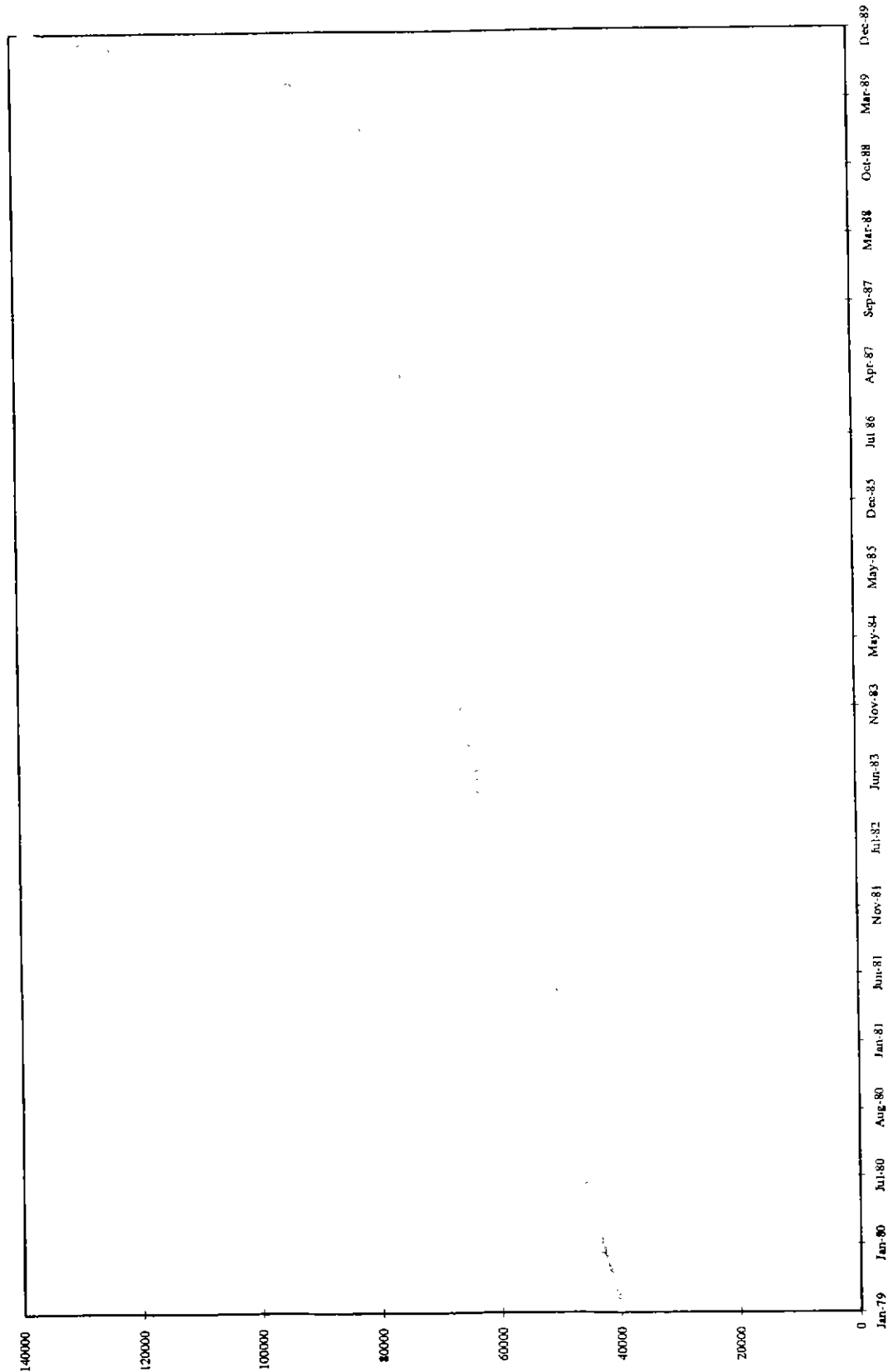
When considering these graphs, and the table provided, the inescapable conclusion is that the pilots who were employed after the 1989 dispute benefited from significant pay increases. Ironically, the level of these increases was greater than the AFAP's original 29.47% claim.

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<sup>349</sup> There is no definition of standard pay in the Awards and the numbers of hours which were considered as standard pay varied over time. However, this figure provides a guide to actual pilot earnings.

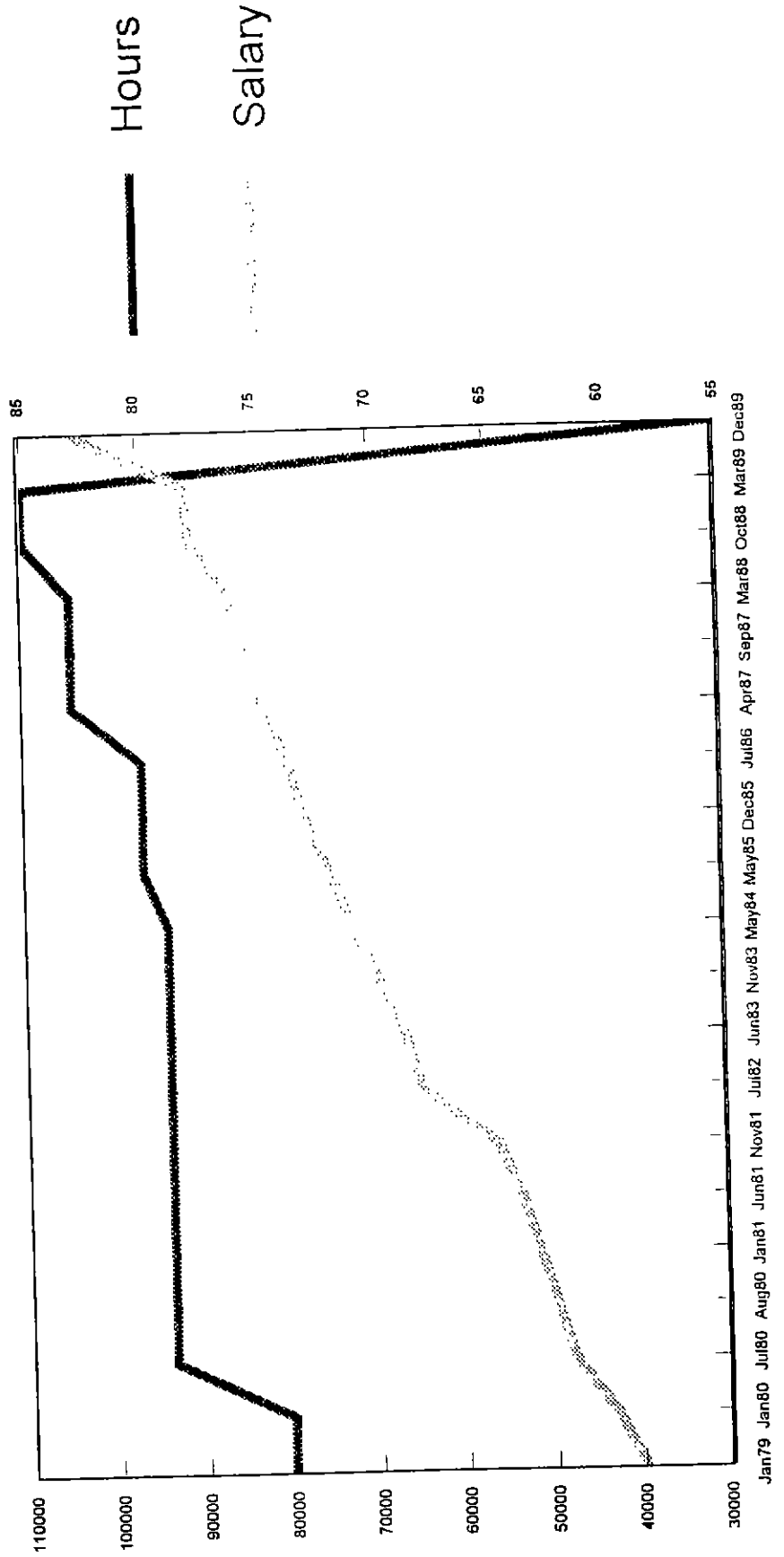
ANSETT B727 CAPTAIN YEAR 12

SALARY AT 75 HOURS



\$

ANSETT B727 CAPTAIN YEAR 12  
 STANDARD PAY 1979-1989  
 55 STICK HOURS DECEMBER 1989



\$

## CONDITIONS

The format of the new Awards was significantly different from the pre-dispute Awards. They had been so extensively rewritten and simplified that the size of the Ansett Award was reduced from 125 pages (excluding letters of agreement) down to 14 pages.

Examples of the types of provisions lost included seniority, the system whereby pilots had an orderly form of progression from intake First Officer to Captain of the largest aircraft type. The method of promotion post-1989 was subject to managerial discretion

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AUSTRALIAN AVIATION

AVIATION DAILY

AVIATION WEEK AND SPACE TECHNOLOGY

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THE BULLETIN	BUSINESS REVIEW WEEKLY
CHOICE	THE COURIER MAIL
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